UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903
9 October 1990

ENGLISH
Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 October to .. October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

	Paragraphs
Introduction	1 - 33

INTRODUCTION

1. In his opening statement, Mr. Oscar de Rojas (Venezuela), outgoing President, observed that the atmosphere of the current General Assembly in New York was stimulating; some considered the present time to be the most auspicious since the foundation of the United Nations. This had come about since the countries of the world, in particular the most powerful, found themselves united for political reasons - the changes in Eastern Europe, the relaxation of East-West tension, and the crisis in the Persian Gulf. Yet the important element was the feeling that mankind united could achieve great things if the United Nations functioned as it should.

2. Why not take advantage of this renewed spirit of international co-operation and support for the United Nations to stimulate economic co-operation and the North-South dialogue?

3. Many countries, including in the North, were now disposed to do so for there was a growing awareness that the worsened problems of the South were common to both North and South in an ever more interdependent world. UNCTAD VIII would afford an opportunity to invoke this new-found spirit of co-operation in the search for a new world order. The need to cater for the legitimate concerns of the developing countries required urgent attention. The Uruguay Round was in its critical final phase and the question of institutions to implement its outcome would have to be dealt with. The time had come to consider establishing an International Trade Organization which, together with the agencies responsible for money and finance, would embody the economic dimension of the United Nations system and ensure that the work of the Organization as a whole was more effective.

4. The incoming President, Mr. Jean-David Levitte (France) said that the Board was meeting at an important time of both hope, as reflected in the imminent unification of Germany, and uncertainty, as reflected in the serious threat to peace that currently existed. The theme of interdependence was thus even more relevant than ever before, and the Board must work towards the common good in a spirit of good will, particularly in the areas of finance and debt. It must try to adopt substantive texts on the basis of consensus in order to send a clear message to Governments and the international community.

5. With regard to UNCTAD VIII, it was important to build on the progress achieved at UNCTAD VII in terms of giving UNCTAD new life and revitalizing the North-South dialogue on a pragmatic and constructive basis. Time was short, and the Board should therefore set out, by the end of its session, to adopt the agenda for the Conference and to decide on its venue and dates.

6. There was general agreement that the Second United Nations Conference on the LDCs had been a success. If the same constructive, realistic and innovative spirit continued to prevail in the Board, UNCTAD would be able to carry out its role of formulating clear and pragmatic global development strategies. North and South were partners, and shared development should be the theme of the new world that was now taking shape.

7. In his opening address, the Secretary-General of UNCTAD observed that the current session could take encouragement from the political boost given to UNCTAD by the successful outcome of the Second United Nations Conference on the Least Developed Countries, which represented a remarkably constructive consensus between the least developed countries and their development partners. The broader UNCTAD membership should apply relevant elements of the Programme of Action to advancing the work of UNCTAD on all fronts and strengthening support for the development efforts of developing countries.

8. The Programme of Action dealt with a number of aspects of national policies relating to adjustment and development, as well as to non-economic objectives such as human rights, the rule of law, democracy and popular participation, stressing that each country was free to choose its own path towards them. In his view, economic growth in the least developed countries was indispensable to the attainment of the other objectives of the Programme; moreover, national policies would not succeed without external support. Good governance was necessary both nationally and internationally.

9. Recent events in the Middle East brought out the vulnerability of long-term development efforts to unforeseeable shocks; this was an extreme example of the uncertainty pervading the world economy. Even before those events the pace of activity in the world economy had decelerated markedly. The near-term prospects pointed to activity settling down at rates distinctly below those achieved in 1987-1988, with only some economies in Asia and in the European Community likely to resist the trend. The consequences of the single European market, the transformation of Eastern European Economies and the Uruguay Round were uncertain.

10. The secretariat's preliminary views on the economic consequences of the Middle East crisis (TD/B/1272) were derived from the abnormality of the present situation in oil markets, created by uncertainty and ensuing speculation; policy responses should seek to redress this abnormality rather than adjust to it as a structural change. Compensation for developing countries hit by oil price rises should be on concessional terms, additional

to existing resources and not tied to adjustment programmes. The psychology of oil markets should be shaped by bringing into play the strategic petroleum reserves held by members of the International Energy Agency (IEA) to counter speculation and dampen the demand for stocks. These issues relating to oil markets were best dealt with in a producer-consumer agreement or, in any case, in a fully representative international body.

11. Reviewing the Trade and Development Report, 1990, he observed that the exchange rate volatility and high interest rates, which had impaired the health of the world economy, arose from the globalization of finance and the ascendancy of finance over industry, trade and investment. Portfolio decisions by rentiers bulked over business decisions by entrepreneurs. To remedy instability and reduce uncertainty to more tolerable levels required actions across a broad front, including effective exchange rate co-ordination among the major currencies, strengthened and symmetrical policy surveillance, fiscal discouragement of speculation, and tightening of prudential regulations.

12. The debt problem had been exacerbated by the current Gulf crisis. The scale of debt and debt-service reduction by banks needed to be enlarged very considerably. Increased financial support from the World Bank and the regional development banks should be based on additional funds, rather than at the expense of lending for new investment. On official bilateral debt, there had recently been encouraging developments with respect to debt relief for heavily indebted lower middle-income countries and for low-income countries. These needed to be carried forward urgently through consideration and action in the Paris Club.

13. In the field of international trade, the outcome of the struggle between open trade and protectionism remained uncertain. The situation had been aggravated by anxieties generated by moves towards the formation of powerful trading blocs. The imminent conclusion of the Uruguay Round should impart greater openness and predictability to the international trading system and forestall possible trends towards fragmentation by firmly anchoring regional trading arrangements within the system. The Round could make a lasting contribution to improved international co-operation if its results enhanced discipline and ruled out discrimination in international trade, removing the fear of retaliation against success in penetrating new markets. This, together with the continuing need to accord special and differential treatment to developing countries in support of their national development efforts, should be the political bottom line of the Round.

14. Pending a new breakthrough in producer-consumer collaboration to improve the functioning of commodity markets, it might be expected that producers of commodities in excess supply would tend to act together to manage that supply and maintain production at levels which corresponded to demand. He noted that commodity issues would be addressed by the current General Assembly, inter alia, in the light of a report by the Secretary-General of the United Nations and of the report by the Group of Experts on African Commodity Problems, chaired by the Rt. Hon. Malcolm Fraser.

15. Long-term uncertainties also existed regarding the security of the planet's ecological base, which required wise management and measures to temper the negative effects of wealth and poverty. The search for sustainable development was a vast and promising field for national and international endeavour, in which a determined attack on poverty must be central. As a result of the current Board session, sustainable development should become an integrated feature of selected areas of UNCTAD's work. UNCTAD would collaborate actively in the preparations for UNCED.

16. A fast-changing world brought out more sharply the need for strong institutions and legal frameworks, towards which the United Nations sought to build. The recent report of the South Commission set forth a vision of a rational and development-oriented international system involving the full participation of the developing world. It was to be hoped that the rising prestige of the United Nations in exercising its political mandate would lead to the full realization of its economic and social role, including that of ensuring international policy coherence in the interrelated areas of money, finance and trade.

17. The spokesman for the Group of 77 (Senegal) said that the current session of the Board stood at the crossroads of past and impending events of great moment. Despite his Group's concern and frustration at the growing marginalization of the developing countries by the end of the 1980s, its hopes had been raised by the changing international climate - notably in Eastern Europe - and by the adoption of the Declaration on International Economic Co-operation at the eighteenth special session of the General Assembly (May 1990). Of course, the wide range of measures put forward in that Declaration would be useful only to the extent that they were implemented at both the national and international levels. In this, the Board could and should make its contribution.

18. Yet another major event had been the publication of the report of the South Commission entitled The Challenge to the South. He stated that the central message of the report, produced by eminent personalities of the South after three years of hard work was that the South should strengthen the basis for its development at the national and collective levels. The report also addressed issues before UNCTAD and other relevant international bodies. Having described the main qualities and thrust of the report, he said that it should stimulate thinking and prompt the international community to respond more purposefully to the urgent needs of the developing countries. The report should therefore receive full attention in the deliberations and activities of UNCTAD. He cautioned against the temptation to lift out of context specific diagnoses and recommendations, thereby overlooking the overall analysis and other recommendations which together made up an integrated strategy for dealing with issues and challenges facing the South.

19. Turning to the UNCTAD Trade and Development Report, 1990 (UNCTAD/TDR/10), he observed that the report painted an alarming picture of a further deceleration in the developing countries' output growth, in contrast to a 2 per cent growth in per capita output in the developed countries. Income and wealth differentials between these two groups of countries had thus continued to widen. In many developing countries, the need to transfer further resources abroad could only be met by keeping imports extremely low, at the cost of slow growth and inadequate investment. In these circumstances the prospects for growth were very bleak. Policy-makers in the developing countries faced a dilemma: improving the domestic investment climate and encouraging the return of flight capital implied increasing the incentives for the upper-income groups; yet the need for a social consensus to underpin stabilization efforts meant that attention had to be paid to other social groups. One reason for the poor growth performance in the developing countries had been their lack of access to international credit. In 1989, developing countries had repaid more in old debt to commercial banks than they had received in new loans. A much larger scale of debt or debt-service reduction was needed than had been envisaged in the Brady initiative. Similarly, with regard to official debt, the limitations of the Toronto terms were widely recognized, and it was vital that the new proposals made at recent meetings in Washington should gain general acceptance. The Report's insistence on the need for a strengthened system of international policy co-ordination was supported by the instability and uncertainty in the world

economy. Such a system should ensure multilateral surveillance of policies in the major developed market economies and a more stable pattern of exchange rates among the reserve currencies. Moreover, the role of IMF in this process should be strengthened.

20. He said that recent events in the Middle East would have serious policy implications, particularly for oil-importing developing countries. Even the current oil price of $US 30 per barrel would increase the annual import bill of oil-importing developing countries by some $US 26 billion - an amount equal to roughly 10 to 15 per cent of their export earnings, after interest payment on external debt.

21. Expressing his Group's concern at the slow progress in the preparations for UNCTAD VIII, he observed that UNCTAD VIII would be a unique opportunity to agree on policies and measures to accelerate the development of the developing countries and hence to ensure a secure and equitable world economy and to enhance UNCTAD's role in this crucial decade.

22. Referring to the Uruguay Round of Multilateral Trade Negotiations he expressed his Group's hope for a balanced outcome of the Negotiations.

23. At its current session, the Board would also be discussing sustainable development in the light of its environmental dimension. Within its mandate, the Board would be able to follow up the resolutions on this issue adopted by the General Assembly and the Economic and Social Council. In order to make its full contribution to the United Nations Conference on Environment and Development, the Group of 77 in Geneva had established a "Group of 15 on Environment and Development" for the purpose of in-depth analysis and policy recommendations.

24. Turning to the UN-PAAERD, he said that it was generally acknowledged - including by the World Bank and IMF - that most of the African Governments had undertaken large-scale economic reforms and structural adjustments. However, the external economic environment had not helped to sustain their efforts. He cited in particular low commodity prices, increasing debt service, and stagnating or declining external assistance. He therefore urged the Board to give serious consideration to the secretariat note (TD/B/1265) and to seek to lay a good basis for UNCTAD's input in the final assessment of the Programme, when this issue was considered at the second part of the thirty-seventh session. In this connection, he hoped that the Board's discussion of this item would take full account of the views and recommendations set forth in the

report of the United Nations Secretary-General's Expert Group on Africa's Commodity Problems (Africa's Commodity Problems: Towards a Solution).

25. The representative of Hungary stated that his Government had decided that henceforth Hungary would not take part in the activities of Group D in UNCTAD. Hungarian representatives at sessions of the Board as well as any other UNCTAD meetings would act independently, outside the framework of Group D. Views to be expressed in UNCTAD in the name of or in relation to Group D should therefore not be considered as reflecting or prejudging the position of Hungary in any way.

26. He emphasized that this decision did not prejudge the country lists included in the annex to General Assembly resolution 1995 (XIX) as amended. Consequently, due account should also be taken in future of the need to ensure equitable geographic distribution in UNCTAD, in line with the relevant rules of procedure.

27. He confirmed that the Hungarian Government continued to attach great significance to UNCTAD in the system of international economic relations and to the special role it had in seeking solutions to the problems of trade and development. Aware of the importance of an efficient intergovernmental machinery for all member States, Hungary wished to participate to the full, in the future also, in the work of all bodies of UNCTAD and in all phases of the decision-making process. To that end the Hungarian Government was willing to co-operate and associate itself with other member States, or groups of member States, with respect of specific issues, on the basis of concordant interests and positions.

28. The representative of Poland, said that his country's strong will to transform from an authoritarian, centrally commanded country to a democracy and a market economy had given birth to the economic programme being implemented from the beginning of 1990. The changes introduced aimed at establishment of a full-fledged market mechanism and institutions, ownership transformations, demonopolization and deregulation of the economy, the reform of fiscal and banking systems and introduction of internal convertibility of the Polish zloty. In this context, he disagreed strongly with several statements in the Trade and Development Report, 1990. He stressed first that Poland did not consider that the old system of central planning was simply not sufficiently supportive of the smooth functioning of the economy but deemed it totally inefficient and incapable of stimulating economic and social

progress. Second, the end result or objective of the transformation process was not to be put in doubt. Poland was fully committed to a free market economy based upon the expansion of the private ownership. Third, the country was striving to make the transformation as quick as possible, with principal changes already in operation. Fourth, Poland did intend to convert public-owned enterprises into private ones on a large scale. He hoped that future editions of the Trade and Development Report, as well as other documents being prepared by the secretariat, would more accurately reflect the true nature of the change that was taking place in Poland and that factual errors would be eliminated. Poland could co-operate in this effort. He added that in this context, and especially in view of paramount changes that were taking place in Poland, his delegation did not feel it possible at present to participate in Group D except for procedural and organizational purposes.

29. His Government had done much to remove the remaining obstacles to Poland's integration into the world economy. Since the beginning of 1990 the Polish foreign trade system had been radically liberalized and a favourable foreign investments régime had been established, whose further liberalization was envisaged very soon.

30. Reviewing current economic trends in Poland, he said that the goals of the stabilization part of the economic programme had been largely achieved and important measures had been taken to achieve a far-reaching transformation of the economic system. Poland expected a moderate recovery in investment and output in the last months of 1990, and the first encouraging signs of the reversal of the recessionary trend were already discernible.

31. These hopes, however, were overshadowed and might be completely frustrated by certain occurrences, first being the consequences of the Persian Gulf conflict. The economic cost to Poland resulting from the application of sanctions on Iraq in support of Security Council resolution 661 should be considered in the context of the country's dramatic economic and social situation, and the extensive programme of radical reforms underway for almost a year. General losses were estimated at $2.4 billion and might increase in the future. Although the impact of the crisis was not borne by Poland alone, he hoped that the international community would show understanding for the particularly unfavourable situation in which Poland had found itself for reasons beyond its control as a result of the conflict.

32. Furthermore, many Polish enterprises would have to face painful readjustment and loss of markets following the changes in Eastern Europe.

All this might indeed jeopardize the unique transformation experiment by which Poland intended to merge into the world economy. The strength of the convertible balance of payments in 1990 was wholly exceptional and unlikely to recur. The basic arguments of the Memorandum on Polish Foreign Debt of 6 May 1990 retained their importance. Imaginative debt reduction schemes designed to avoid further polarization between creditors and debtors and to reintegrate debtors to the world economy and trade were called for.

33. Issues relating to the developing countries, likewise affected by the aftermath of the Persian Gulf crisis, should remain the prime concern of the Organization. However, his delegation believed that Poland's legitimate preoccupations should be taken into consideration in UNCTAD as an assembly aiming at improvement of international economic co-operation in an interdependent world.

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.1
9 October 1990

Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 October to .. October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

	Paragraphs
Introduction (continued)	
Statement by the President on the independence of Namibia, the unification of Germany and the reunification of Yemen	34-61

Statement by the President on the independence of Namibia, the unification of Germany and the reunification of Yemen

34. At the 775th meeting, on 3 October 1990, the President, speaking on behalf of all members of the Board, said that 1990 would remain in history as the year in which three peoples - in Africa, the Middle East and Europe - had accomplished their national destiny. All three had decided their future peacefully and democratically.

35. On 21 March 1990, after a long struggle and with the unfailing support of the international community, the people of Namibia had finally obtained their independence and had courageously embarked upon the construction of a pluralistic society.

36. The people of Yemen, heirs of a long and brilliant history, had undergone, without resigning themselves to it, a separation born of the colonial period and aggravated by the East-West conflict. The popular will and enlightened leadership had led to the unification of all the people of Yemen in a single State on 22 January 1990.

37. The German people were celebrating their unification and all shared their joy as they looked to the future. That future was the future of all peoples, and first that of the peoples of Europe. Overcoming the painful division of their continent, the countries of Europe were henceforth working for the return of geographical Europe to the world stage. In this communal endeavour, in which Germany had now regained its full place, the European Community, engaged in an unprecedented undertaking, was progressively affirming its identity and its unity. October 3 was a joyful day for 12 peoples which had linked their destinies of their own free will.

38. The representative of Germany said that Europe and the German people had been divided for 45 years, but today the German people was uniting in peace and freedom. It was therefore a day of joy, but also a day for reflection, and the German people, aware of its responsibilities, had not forgotten the victims of the Second World War and the régime of terror. Henceforth, the German people would live in a single democratic State based on respect for human rights and determined to contribute to world peace. It had no territorial claims vis-à-vis other States, and would in particular confirm the existing border with Poland in a treaty. Such changes would give Europe an opportunity to overcome its differences.

39. A united and sovereign Germany would actively pursue its policies in the United Nations in general and in UNCTAD in particular. Transforming the

economy of the former German Democratic Republic and providing support for reform in Central and Eastern Europe represented huge tasks, but Germany would not lose sight of its responsibilities towards the international community as a whole. In particular, German unity would not be to the detriment of the Third World, and the German Government would be more committed than ever to the struggle against poverty, underdevelopment and destruction of the environment.

40. The representative of Yemen thanked the President for his kind words about Yemen and Yemen's reunification. He greeted the German unification with deep emotion, and stated that 3 October belonged to the German nation - whose ingenuity had contributed so much to humanity - just as 14 July belonged to the French nation. For, after 45 years of division, tenacious efforts, toil and sacrifices, God had willed that that nation be unified and decide its own destiny. If the Arabian Bird - the symbol of creativity, renewal and the everlasting - could choose one single nation to symbolize, it would have been proud to symbolize the German nation. He observed that teeming millions in other nations still torn asunder cherished the dream of experiencing a moment such as that when the German anthem was played - mixed with the shouts of joy and the singing of the last movement of Beethoven's choral symphony and the sounds of the bells of the churches of Berlin. Other torn nations still yearned for reunification. He predicted that the Arab nation would one day, by the will of God, experience such a moment. For it was destined that from its flames and ashes the phoenix should be born again.

41. The representative of Italy, speaking on behalf of the European Community and its member States, observed that Germany had regained its unity, thus ending an anomalous situation which had been for so many years the most visible sign of Europe's division, the legacy of a long-past war. A people that had so enriched the common civilization was recovering its rightful place in Europe and in the world. It was finally witnessing the fulfilment of a yearning unswervingly supported by the Community and its member States, which accordingly shared all the more the German people's joy at this event.

42. This historic change had happened peacefully and democratically, in full compliance with the principles of the Helsinki Final Act. The Community and its member States paid tribute to the steadfastness of the German people, which had through difficult years nurtured its desire for freedom and democracy now fulfilled, and to the wisdom of the Governments and the statesmen who had made it possible.

43. The restoration of German unity heralded a new age for Germany and all of Europe. It was a milestone along the road to the construction of a new framework for co-operation and stability in Europe, actively involving both sides of the Atlantic. The unification of Germany was occurring on the eve of major decisions which would mark the road that lay ahead for the European Community. Since the beginning, the Federal Republic of Germany had made an outstanding contribution to European integration. A united Germany would continue to be a powerful factor for cohesion, which would help Europe along the path towards political union, and to achieving an even more influential role on the international scene.

44. Germany's regained unity facilitated the task of the Community and its member States in consolidating, through the CSCE process and on the basis of the shared values of freedom and democracy, the climate of trust and friendly co-operation now extending throughout Europe. It would make all the sounder the framework for peace and security, solidarity, progress and democracy which was on the point of being achieved in accordance with the aspirations of all peoples of Europe.

45. The European Community and its member States welcomed the new citizens of the Community and expressed their warmest wishes to the German people and its Government for a shared future of peace and prosperity.

46. He congratulated Namibia on joining the community of nations after its dramatic struggle for independence.

47. He further congratulated the Government and people of Yemen on the occasion of the formation of the Republic of Yemen.

48. The spokesman for the Group of 77 (Senegal) welcomed the unification of Germany as a historic achievement on the road to European integration and stability. Germany was assuming its destiny in opting for the rule of law, political pluralism and respect for human dignity.

49. He recalled that Mr. Genscher, the German Foreign Minister, had stated in Moscow on 12 September that Germany would assume its responsibilities in face of the major challenges of the present time, namely, the preservation of peace, the economic development of the Third World, the achievement of social justice and the protection of the natural basis of life. The event marked a promising stage in the construction of European unity and for international co-operation in promoting development and peace.

50. The Group of 77 had celebrated the reunification of Yemen and he welcomed the Yemeni delegation to the Board.

51. He expressed the pride which his Group felt to welcome the representative of independent Namibia who was taking part in the Board's work for the first time. He wished Namibia success in the construction of the free, peaceful and prosperous country which was its aim.

52. The representative of the Union of Soviet Socialist Republics congratulated the German people on its unification, which would undoubtedly open up a new page in the history of Germany itself and Europe as a whole. National economies were now closely interlinked, and it was no accident that the questions of economic interdependence and stability were assuming increasing importance in UNCTAD. In that connnection, he was sure that a unified Germany would make an appropriate contribution to efforts to strengthen and improve international economic relations, in particular within the framework of UNCTAD.

53. The representative of Poland said that his country welcomed the unification of Germany and was proud that it was Poland that had initiated the democratic and peaceful process of sweeping transformations and reforms in Central and Eastern Europe, which had made the unification of Germany possible. Polish leaders had continuously declared that the definitive overcoming of divisions of Europe, the dramatic legacy of Yalta, could not be made a reality without the unification of Germany. Poland had always regarded unification of the two German States as an integral part of the process of unification of Europe. In German unity, Poland wished to see an important stabilizing factor in Europe and the European security system. Poland believed that in Germany as in Poland there was a political will to conclude at the next stage a wide-ranging treaty on neighbourhood, creating a stable foundation for developing the community of interests of the two States. A fundamental starting point for such a treaty was the joint declaration of Poland's Prime Minister Mr. T. Mazowiecki and Germany's Chancellor Mr. H. Kohl of 14 November 1989. The Polish-German community of interests was an indispensable element in the construction of a single Europe. In this context, his delegation welcomed the statement just made by the representative of Germany.

54. Economically, German unification meant for Poland it was henceforth the neighbour of one of the strongest economies of the world and the world's leading trade partner.

55. Unified Germany had become Poland's first trade partner and Poland hoped that unification would not negatively influence its economic and trade

relations with Germany and with other partners, especially those in the European Community. Poland was deeply convinced that its legitimate interests would be duly taken into account by appropriate German authorities.

56. The representative of China warmly congratulated the German delegation and the German people on the unification of the two German States. China had always understood, sympathized with, and supported the aspiration of the German people for unification and welcomed the peaceful realization of this objective. He believed a unified Germany would be beneficial to peace, stability and economic development in Europe and the world. In the past, China had enjoyed good relations with both German States. It was prepared to further develop the existing friendship on the basis of the five principles of peaceful co-existence.

57. He also warmly congratulated Yemen on the unification of the two States, which he hoped would contribute to the successful economic development of the country.

58. He, too, welcomed the fact that a Namibian delegation was present in the Board for the first time.

59. The representative of Hungary speaking as a representative of a country that had actively contributed in the achievement of the aspirations of the German people, warmly congratulated Germany on its unification. He hoped that German unification would greatly enhance global progress and development. Hungary was convinced that German unity would also contribute to strengthening the process of European integration and would favourably influence the world economy.

60. The representative of Namibia, expressing gratitude to previous speakers, said that the question of the decolonization and independence of Namibia had been on the agenda of the United Nations since its foundation. Many countries had participated in the efforts to achieve this indepedence pursuant to Security Council resolution 435/78. Yet her delegation wished to record the fact that Namibian independence would not be complete until Walvis Bay was reintegrated into Namibian territory. She hoped that the international community would support Namibia's case for such reintegration in accordance with resolution 435/78.

61. Welcoming Germany's unification, she noted that 25,000 of Namibia's population were of German origin.

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.2
9 October 1990

ENGLISH
Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva
from 1 October to .. October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

Chapter		Paragraphs
I.	Interdependence of problems of trade, development finance and the international monetary system (agenda item 3)	
	Debt and development problems of developing countries: including discussion called for in paragraph 2 of General Assembly resolution 44/232 of 22 December 1989, on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries (agenda item 4) ...	62 - 87
	Statements made by India on behalf of the Group of 77; Chile on behalf of the Group of 77; Germany on behalf of Group B; China	

Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES: INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989, ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

(agenda item 4)

62. The spokesman for the Group of 77 (India) speaking on item 3 stated that interdependence was the only immutable element amidst the uncertainty created by the rapid and fundamental changes occurring in the world economy. The Group concurred with the central theme of the Trade and Development Report 1990 that the policy challenge of the 1990s was to restore development while managing these changes in a way that would ensure prosperity for all.

63. The task of development co-operation in the 1990s must be seen against the experience in the 1980s, when the dichotomy between sustained economic growth in the developed world as against stagnation, if not decline, in the developing world had sharpened. Already facing recessionary perspective in the 1990s, the recent crisis in West Asia had aggravated dramatically the predicament of the oil importing developing countries. An emergency action plan to help these countries meet their immediate needs as well as to put them firmly on the road to sustained development was urgently needed.

64. Structural reforms had been undertaken by developing countries in accepting primary responsibility for their development. However, the reform process had been largely unsatisfactory as reforms were frustrated by the unbalanced international approach to structural adjustment, whereby only developing countries bore the brunt of adjustment while developed countries gave themselves autonomy to postpone reforms. Moreover, stabilization programmes thrust upon developing countries were flawed in many respects rendering adjustment a counter-productive process and resulting in greater socio-economic distress and political instability. The policy making and policy executing capacity of the developing countries had been overloaded. The herculean task also had to be undertaken within a relatively short period of time and in the context of reduced resources, thus making success elusive for many.

65. He said that the world should learn from the experience in the 1980s that poverty was as destructive as tyranny, illiteracy as degrading as intolerance and starvation as dehumanising as repression. Therefore, reform efforts by developing countries must be supplemented and supported by international action.

66. The recent and imminent radical structural changes in the world economy implied that links among various sectors had multiplied, thus requiring more intensive international co-ordination. However, such co-ordination had been inadequate and in some areas totally lacking. The unprecedented growth of developed countries in the 1980s was not transmitted to developing countries and seemed to have been achieved through policies which ensured weak commodity prices and high interest rates, both of which were detrimental to the resource position of developing countries. In the future, the well-being of developing countries should form an integral part in designing the macro-economic policies of developed countries.

67. The Uruguay Round had the potential of addressing the problems and rectifying the imbalances of the international trading system. The United States, EEC and Japan had a heavy responsibility to help achieve this potential. As far as the continuously deteriorating commodity situation of developing countries was concerned, there was urgent need to intensify international co-operation with a view to creating more commodity organizations and ensuring predictable and remunerative prices to producers.

68. To bridge the serious financing gap facing the developing countries, substantial flows of long-term development finance was needed. This alone could enable them to deal with the problems of persistent mass poverty, unemployment, debt and environmental degradation. The quality and terms of development finance must be vastly improved. The resource base of multilateral institutions must be considerably strengthened. The time had come for effective multilateral action to scale down the debt and reduce the debt service burden to levels that allowed growth to proceed at an acceptable pace. Measures should be taken to prevent debt proliferation. This new approach should apply to both debts from commercial banks and from official sources. Ensuring financial and monetary stability would be more than ever necessary in the 1990s.

69. He noted that the South Commission had put forward a vision of rational and development oriented international economic system, in its Report

presented at Caracas early this year. The proposal, policies and approaches relating to North-South co-operation therein deserved full and thorough consideration in the Board.

70. Finally, he asked that deliberations in the Board should help vitalize the economic mandate and role of the United Nations, in particular the interrelationship among economies and policy areas in support of global action for development.

71. The spokesman for the Group of 77 (Chile) speaking on item 4, said that, for many developing countries, living standards had dropped well below the levels of the 1970s. An unfavourable external environment still affected negatively developing countries' efforts to overcome the debt crisis. Between 1984 and 1988 debt-service payments by developing countries had exceeded new loan disbursements by $163 billion.

72. The Middle East current crisis was negatively affecting the debt-service capacity of several heavily indebted countries, including those that had recently made some progress in debt and debt-service reduction. The crisis equally affected those oil-exporting countries which were in the process of concluding negotiations with commercial banks and other creditors, as the present high oil prices created the illusion that such countries were reaching external viability.

73. The current debt strategy had not been successful in restoring growth, external balance, and normal debtor-creditor relations in most heavily indebted countries. For the strengthened debt strategy to be successful more funds were required and the scale of debt reduction had to be enlarged through financial support from official sources. Bank financing packages had to be made more consistent with the requirements of debtor countries' Fund-supported adjustment programmes. Governments of creditor countries should take measures to encourage commercial banks to undertake debt and debt-service reduction operations and to provide new money. They should also provide greater financial support for debt reduction operations, and re-establish new medium- and long-term credit or insurance cover at appropriate rates.

74. The Group of 77 welcomed the recent initiatives taken by industrial countries to alleviate the official debt burden of the lower middle-income countries, including the new terms adopted by the Paris Club. However, debt relief for these countries should also include an adequate reduction of debt-service payments. The debt burden of severely indebted low-income

countries had become so large that it was unlikely that even continued concessional rescheduling under Toronto terms over a very long period could lead to sustained growth and external viability. For these countries, there was a need for debt cancellation and for additional resources on highly concessional terms. While some proposals had recently been put forward by some industrial countries, some developing creditor countries had already taken concrete action.

75. For many developing countries, and especially some of the poorer, debt owed to the multilateral financial institutions represented an important part of their overall debt burden. Additional resources from developed countries needed to be brought to bear on this problem, so as to reduce debt-service payments when needed, and in a manner that safeguarded the financial viability of those institutions. The Group of 77 invited the multilateral financial institutions to give serious attention to measures to alleviate the debt burden of Least Developed Countries, including interest rate subsidies or refinancing schemes funded by reflows or special trust funds.

76. Many debtor countries had adopted policies to consolidate national saving, attract non-debt-creating flows, and reverse capital flight. In turn, the industrial countries should ensure adequate financing of adjustment programmes and facilitate the flow of direct investment and other non-debt creating flows to indebted countries.

77. The current Middle East crisis had substantially increased the external financing needs of many developing countries. The effects of the present abnormal and uncertain situation required financing, not adjustment. The multilateral financial institutions should extend highly concessional assistance to these countries and play a catalytic role in mobilizing additional concessional financing from bilateral and multilateral sources as well as substantial debt relief. The World Bank should consider establishing an IDA supplementary facility and the possible augmentation of IDA-9 and the IMF should administer the existing facilities more flexibly.

78. The spokesman for Group B (Germany) stated that though the economic situation in many developing countries had remained difficult, there were nevertheless reasons for cautious optimism. The overall outlook for economic performance of the OECD countries had remained positive; historic changes in Central and Eastern Europe were expected to give fresh impetus and release resources (the "peace dividend") for dealing with the central problems of the

present time, such as under-development and poverty; there was increasing awareness that global problems threatening the survival of mankind could only be solved through the continued efforts by all nations in the framework of interdependence; international co-operation had been strengthened based on the emerging consensus that developing countries bore primary responsibility for their own development and the need for political and economic reforms. However, Group B also recognized the importance of the role of a favourable international economic environment. However, this could only help national efforts to succeed fully. The need for solidarity and partnership between developed and developing countries, as well as the need to assist weaker economies was also recognized.

79. The positive outlook for growth in the OECD area was expected to lead to a significant increase in OECD imports from non-OECD countries. However, uncertainties relating to these forecasts, in particular, a widespread rise in long-term real interest rates and financial market volatility, had been considerably heightened by the current Middle-East crisis. Especially oil importing developing countries were being adversely affected by the economic consequences of the flagrant violation of the Charter of the United Nations and the inflexible disrespect of Security Council resolutions by Iraq. If oil prices were to remain at their present level or even rise further, growth in oil importing countries could be reduced and inflation could accelerate compared to the forecasts made last spring. Whereas OECD countries were now better equipped to cope with increased oil prices, many oil importing developing countries were in a more difficult situation. For them, over the last 20 years' industrialization had increased energy consumption. Also, slower growth in OECD countries would adversely affect exports and terms of trade of the non-oil raw material exporting developing countries, against a background of rising world interest rates. Energy-importing Central and Eastern European countries would be similarly affected.

80. Oil exporting countries would experience an increase in export earnings, but the adjustment efforts of many debtor countries would be rendered even more difficult. The need for special assistance to the most severely affected developing countries posed a challenge also for South-South solidarity. With a combined effort, making use also of the potential of the World Bank and IMF, it would be possible to control the negative impact of the crisis. An appropriate mix of financing and adjustment was needed.

81. Group B countries were committed to a successful outcome of the Uruguay Round. This should result in an improved, strengthened multilateral trading system including services. Group B was encouraged by the fact that developing countries have been actively involved in these negotiations from the beginning.

82. He noted that after 40 years of cold war Europe was growing together again. The unification of Germany was the most conspicuous aspect of this process. The centralized "command economy" had proven less efficient. Deepening inter-European co-operation, including North America, would have a positive impact worldwide creating new chances for growth and co-operation with the South. Furthermore, the radical political and economic reforms underway in Central and Eastern Europe with increased reliance on market forces, good management, and improved efficiency of the public sector would enhance economic performance. He stated furthermore that political pluralism and individual freedom in a framework of social responsibility were the motor for economic and social development. Human rights, therefore, were not only a moral but also an economic necessity. The necessary support to Central and Eastern Europe would not diminish the determination of Group B countries to give high priority to development co-operation with the Third World. Nevertheless, he emphasized that only sound domestic policies together with improved governmental and administrative capacities could establish the main pillars of development. Guidance and assistance for developing countries in their reform process could be a promising field of new activity for UNCTAD.

83. On the issue of sustainable development, he stated that agreeing on a framework for national policies and international co-operation for environmentally sound and sustainable development was the central task of international diplomacy for this decade. While all countries must take action, Group B bore a special responsibility in confronting global environmental issues. Group B countries were convinced that the vicious circle of under-development could be broken if development strategies were based on the integration of the principles and objectives of sustainable development. UNCTAD VIII should provide an opportunity to discuss the major issues mentioned above.

84. The representative of China stated that the world economy in the 1980s had been marked by an expanded imblance in growth and an impasse in dialogue between the North and South. In trade many developing countries had been victimized by an intensified trend towards protectionism, falling commodity

prices and deteriorating terms of trade. In finance, their debt burdens had remained critical, and a net transfer of resources had flowed from the developing to the developed countries. Not only had the developing countries benefited little from the globalized financial activities, but their economies had been made more vulnerable by external financial events that had been turbulent and unpredictable. The structural adjustment policies had been undertaken in developing countries at great socio-economic cost and some with the consequence of disorder and instability. The forecast of a recession in the world economy in the Trade and Development Report 1990 was being proved by recent developments. Regarding the Gulf crisis and its adverse impact on the world economy, China hoped that a peaceful solution would be found at an early date.

85. One important subject in the 1990s was to strengthen international economic co-operation, with emphasis on helping the developing countries to realize macro-economic stability and reinvigorate their economic growth. While the developing countries should carry out policies of adjustment and reform in accordance with their specific national situation, the developed countries should also strive to create an external environment supportive of economic growth of the developing countries.

86. Referring to the prevailing debt situation of the developing countries, he pointed out that although some progress had been made in alleviating the debt difficulties of the developing countries, the debt situation remained serious. The existing strategy had its own limitations, both in the number of beneficiaries and the degree of benefits. The Brady initiative and the Toronto Agreement were insufficiently effective. It was imperative to address the debt problem in conjunction with issues of money and finance, trade and commodities and the fundamental solution to the debt problem lay in promoting economic recovery and development of the debtor countries so as to improve their debt-servicing capacity.

87. As for protectionism in trade, the commitments of the developed countries for standstill and rollback had not been fulfilled in earnest. The multilateral trade system had been challenged by unilateral actions and bilateral arrangements. Careful studies would be needed on the impact of regional economic integration, bilateral trade arrangement among developed countries and the transformation of the Eastern European economies on the trade of developing countries. With regard to the Uruguay Round, an

unbalanced outcome of the negotiations would be seriously detrimental to the developing countries. There had thus far been no breakthrough in the areas of textiles, and agricultural and tropical products - all of which were of interest to the developing countries. He called upon all participants in the negotiations, particularly major traders, to exert every effort for the success of the Round in order to create "a more open, stable, equitable and predictable international trading system".

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.3
10 October 1990

Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 October to .. October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

Chapter — Paragraphs

I. Interdependence of problems of trade, development finance and the international monetary system (agenda item 3)

Debt and development problems of developing countries: including discussion called for in paragraph 2 of General Assembly resolution 44/232 of 22 December 1989, on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries (agenda item 4) 88-91

Statement by the Secretary-General of the United Nations Conference on Environment

Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES: INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989, ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

(agenda item 4)

88. The Secretary-General of the United Nations Conference on Environment and Development stated that the 1992 Conference provided a new context for dealing with issues that had long been central to the activities of UNCTAD. There was a growing understanding of the deep and pervasive linkages between environment and development. However, in view of the limited progress in effective development policies and practices since the Stockholm Conference in 1972, environmentally destructive development had continued in all countries and now posed a grave threat to the environmental and economic future of the whole world, but in particular to the developing countries. The report of the World Commission on Environment and Development, entitled "Our Common Future", made a compelling case for the integration of environment and development at all levels of economic policy and decision-making in order to achieve sustainable development. The environmental dimension introduced new insights and political perspectives as well as new reasons for a concerted attack on world poverty. The 1992 Conference would focus on the need for fundamental changes in international economic behaviour and relations, particularly between the North and the South. The causes of almost all environmental problems originated in the development process or in its failures and inadequacies. It was only through better management of the development process that these issues could be addressed, and in this context he cited Japan as an example of the economic advantages to be gained from an efficient use of natural resources.

89. In adopting a programme of action for the period leading into the 21st century - "Agenda 21" - the 1992 Conference would give high priority to achieving agreement on the means to implement the various measures and

programmes by ensuring the access of the developing countries to the new and additional resources and environmentally-sound technologies they would require to enable them to incorporate the environmental dimension into their own development policies and practices and to participate fully and equitably in international environmental co-operation. The Conference was also expected to agree on important institutional changes, including the strengthening of UNEP as well as the related capacities of the development agencies and organizations and the processes of their collaboration on issues that went beyond their traditional mandates. It was hoped that all of these practical measures would be inspired by a declaration - the "Earth Charter" - promulgating the basic principles that must govern international behaviour in order to safeguard the global environment. The challenge was monumental, for the action which the international community took or failed to take in the 1990s would determine the fate of the planet and of humanity in the 21st century and beyond.

90. In dealing with the intractable problems of development, the international community could not accept as permanent and immutable the poverty and suffering of that three quarters of the world's population who lived in the developing countries. The gross imbalances between the industrialized world and the developing countries were directly related to the imbalances between economic behaviour and the environmental resource base, and the first problem could not be addressed effectively without regard for the second. An equitable balance between environment and development offered a new basis for co-operation and partnership between the industrialized and the developing countries on the basis of a transcendant common interest. To this end, the developing countries must become full partners in the management of the world economy and in the benefits which flowed from it.

91. Observing that the 1992 Conference was building on the work and experience of UNCTAD and addressed essentially the same issues, he said that UNCTAD VIII would be extremely important and timely in the contributions it could make to the 1992 Conference. Accordingly, preparations for both Conferences must be closely related, and he hoped that the Board would agree that collaboration between the two secretariats would increase the effectiveness of their respective programmes and Conferences. The success of these common efforts would depend on effecting a fundamental shift in existing

patterns of political will. The past year had demonstrated dramatically that such changes could take place at the political level. What was needed now was a similar breakthrough in international economic relations, particularly in relationships between North and South. The 1992 Conference offered the best prospect of achieving the shift in international economic behaviour and relations needed to set the world on the path to a secure and sustainable future.

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.4
11 October 1990

ENGLISH
Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 October to .. October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

Chapter — Paragraphs

I. Interdependence of problems of trade, development finance and the international monetary system (agenda item 3)

Debt and development problems of developing countries: including discussion called for in paragraph 2 of General Assembly resolution 44/232 of 22 December 1989, on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries (agenda item 4) 92-134

Statements made by the United States of America; Hungary; Egypt; Iraq; Canada; Turkey; Australia; Japan; Italy on behalf of EEC; Norway; USSR; International Monetary Fund

GE.90-52565/2484B

Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES: INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989, ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

(agenda item 4)

92. The representative of the United States of America stated that a fresh look at what promoted trade and development was long overdue in UNCTAD. The developing world was waking up to the realization that sustainable development was not attained through aid transfers, but was the result of free enterprise, foreign investment, and good government. UNCTAD had yet to come to grips with the need to restructure its work programme to reflect this thinking.

93. The Trade and Development Report, 1990, was a critique of the developed world's policies, instead of an examination of what was happening in the developing world. Nor had it focused on the LDC's self-inflicted obstacles to development or on an analysis of what had gone wrong in the developing world. UNCTAD should highlight the success stories in Third World development and prosperity. He pointed to Botswana which had started off with the same disadvantages that had saddled practically every new-born sub-Saharan country on its independence in 1966. However, 24 years later, its system of market democracy had produced a per capita income over twice that of other sub-Saharan African countries. The lessons were clear: democracy was important to promote stability, to check corruption, to protect free speech and the rule of law; human capital was important, to develop man's inexhaustible source of ingenuity; foreign investment was important, to create, not just transfer, wealth; and finally, small, measured development was important. He said that the world could learn a great deal from Botswana and UNCTAD could offer some hope for the future by paying obeisance to Botswana and other developing countries. UNCTAD could start by setting a realistic agenda for UNCTAD VIII, one that would focus on the endogenous factors.

94. The representative of Hungary observed that profound economic changes and major political events were currently under way in the world, influencing both

international political and economic co-operation. He reviewed some basic elements of the far-reaching developments in Hungary since the last session of the Board. The process of fundamental political changes, begun by the free parliamentary elections held in the spring of 1990, was to be perfected by the recent election of local authorities. A few days earlier his Government had adopted a three-year programme which reflected a new social and economic system gradually gaining shape in the country. Restoring internal and external equilibrium was a key point of departure for the National Renewal Programme. The Government aimed to stop any further accumulation of foreign debt, stem the balance of payments deficit, bring down inflation and establish a strong and convertible currency. A further goal was to establish the predominance of the private sector. Among the envisaged measures privatization was of outstanding importance, the objective of which was to achieve the predominance of the private sector in the economy.

95. However, the positive results of Hungary's internal efforts were hard hit by factors beyond its control, such as the unprecedentedly grave drought and other factors - primarily the Gulf crisis which could cost Hungary as much as 0.5 billion dollars in the next few months.

96. He noted with concern that the Trade and Development Report, 1990, in many respects gave a misleading picture of the process taking place in Hungary and the real future possibilities for developing countries. He said the misleading conclusions of the TDR 90 were the result of a generalization of different economic and trade policies of different countries, an approach which his delegation had questioned several times. Regarding a possible multilateral framework for international trade in services, he said that the relevant part of the TDR dealt with this issue from the perspective of OECD and developing countries, but did not take into account other countries.

97. His Government, when formulating its domestic economic policies, wished to rely on the strengthened rules and disciplines of the international trading system as embodied in the GATT. In this connection the successful completion of the Uruguay Round was imperative.

98. The representative of Egypt observed that the world had become increasingly interdependent so that economic, political and social considerations were closely interwoven, and development could not be achieved without peace, security and stability.

99. The present Gulf crisis had caused enormous damage, especially to developing countries, and threatened peace and security. The negative effects

on developing countries pertained to the loss of jobs, remittances, savings, the cost of absorbing the returned labour force and the loss of the Iraqi and Kuwaiti markets. The crisis increased the possibility of recession in the DMEC's, in which case the negative effects on developing countries would be accentuated through an increase in interest rates, depressed demand for their exports and a slow-down in North-South financial flows. The secretariat's analysis in this regard provided an acceptable approach. The cost to the Egyptian economy, which was the most seriously affected by the crisis, amounted to, about $4.5 billion in terms of remittances, lost revenue from the Suez Canal, tourism and exports, $10 billion in lost bank deposits of its citizens and $4.4 billion in investment to absorb the returnees.

100. The international community, which had shown an unprecedented solidarity in imposing international law, should display the same solidarity in compensating the countries affected by the crisis. This required concrete measures and not merely research studies. It was not acceptable to ask those countries to adjust to temporary and uncertain events. The greatest loss was not that of money or jobs but rather of security and stability and the crack in the Arab regional system. The real solution to the crisis lay in the full implementation of the relevant Security Council resolutions and the restoration of the independence and sovereignty of Kuwait under its legitimate Government in implementation of the resolutions of the international community. He supported the Secretary-General of UNCTAD's remarks regarding the establishment of a mechanism on international financing on a concessional basis to assist countries affected by the crisis and called upon the UNCTAD secretariat to carry out a detailed study, as soon as possible, on the effects of the crisis on the international economy and that of developing countries, particularly those most affected such as Egypt and Jordan.

101. The representative of Iraq, speaking in exercise of the right of reply, said that the representative of Egypt had referred to the negative impact of the Gulf crisis on the economies of other countries. Iraq sympathized with these countries but it should be recalled that the cause of the negative impact was the tension created by the presence of hundreds of thousands of foreign troops in the area. With the help of Egypt, these forces had enforced a savage embargo, contrary to all humanitarian laws, in order to starve a population of 18 million and had even prevented the supply of milk to children. This illegal boycott was imposed by countries which wished to return to the Gulf to control all the oil resources, with the blessing of some

of the countries of the area, including the country of the speaker. Iraq had not expelled the Egyptian workers; some had left because of the tension created but thousands were still living with dignity in Iraq. The representative of Egypt should have called for the solution of the crisis by peaceful means rather than creating tension in a forum such as the Board, which should remain faithful to its mandate, which was to resolve the economic problems of developing countries.

102. The representative of Canada stated that the failure of the statist, centrally-planned model of economic development had now been fully revealed. Countries which had adopted it were struggling to escape the burdens it had created and were transforming their economies along market-oriented lines. Developing countries were also turning away from dirigiste approaches to development and towards maximization of individual responsibility and initiative.

103. Political management of the adjustment process presented a formidable challenge, the success of which depended on both internal and external factors. Internally, the authorities must show a strong commitment to adjustment and reform, the programme must be credible and the population confident that accelerated growth would be forthcoming. Externally, there must be adequate financial flows and a supportive international trade and financial environment. In this regard, top priority should be given to the successful conclusion of the Uruguay Round on time in December, which would contribute greatly to sustained world economic growth and accelerated progress in the developing countries.

104. While the desired congruence of internal effort and external support was widely recognized, he was concerned about the UNCTAD secretariat's overriding tendency, as reflected in TDR 1990, to focus almost exclusively on analysis for action at the international level, while ignoring that the foundation for sustained growth and development was sound national policies. He noted findings in the Report concerning relative performance of different developing countries and econometric simulation reported in chapter 2 which illustrated his concern. Moreover, the secretariat showed a predilection for dirigiste, interventionist approaches to economic policy problems which had been found wanting in many countries, and cited the treatment of the international financial system and of the financial and banking sector in developing countries as examples. Such an approach if not corrected risked compromising the chances for a successful outcome of UNCTAD VIII.

105. The representative of Turkey stated that the developments in Eastern Europe and the unification of Germany had ushered in a new climate of understanding and co-operation which had positive repercussions on the rest of the world. However, this spirit of optimism had been shattered by the recent crisis in the Middle East, which was having a depressing impact on global economic activity. Primarily due to the adverse effect of the crisis on the world oil markets, many countries were facing unexpected and mounting economic difficulties. Fiscal consolidation had become more complicated, growth-oriented adjustment and development policies had been undermined, and debt-servicing capacities substantially weakened.

106. For some countries which had extensive commercial and economic relations with Iraq and Kuwait, the implementation of the United Nations embargo resulted in the loss of earnings from the export of goods to both countries. Turkey was shouldering a great burden as a result of its strict implementation of the United Nations embargo. While he appreciated international efforts to provide immediate and medium-term financial and economic assistance to countries severely affected by the crisis, they represented only interim measures or partial remedies. Increased trade, improved access to markets, lesser restrictive or protectionist measures would provide more durable solutions. The Middle East crisis had accentuated the need to liberalize international trade of both goods and services. In this respect, his Government attached great importance to the successful conclusion of the Uruguay Round.

107. Current economic realities required a new form of international co-operation which should reflect the common political will of the entire international community. This will must be mobilized when deep and rapid changes were occurring and, in particular, to overcome the problems confronting the world economy as a consequence of the ongoing crisis.

108. The representative of Australia stated that interdependence was, rightly, an issue warranting the close attention of the international community and one of the factors in the economic equation which Governments must consider in the development of their national strategies. His Government was keenly aware of the economic implications of interdependence and had undertaken an extensive programme of structural adjustment. The potential benefits of interdependence were well illustrated by the Uruguay Round, whose successful conclusion would assist global adjustment and generate new opportunities for growth and development in all countries in the decade ahead. Australia's concerns in

relation to international debt issues focused principally on the weaknesses in the economic and social structures in the global economic system which national indebtedness had exposed. The social and economic costs of debt and debt servicing for a number of indebted nations had been very high. Social programmes in particular had borne the burden of debt servicing. Australia had been encouraged by the improved prospects for achieving a durable solution to the problems of heavy indebtedness. However, he expressed concern that much of the commercial debt had now been transferred to the international financial institutions with the potential to create serious difficulties for them. Asian/Pacific countries which had honoured their financial obligations should not be disadvantaged through support given to others.

109. As to TDR 1990, he said that Australia would have preferred it to have provided a more defined basis for national policy formulation in order to balance the attention given to the analysis of the international economic environment. In executing its mandate UNCTAD must reflect the perspectives of the wider international community if it was to contribute substantively to effective dialogue on economic matters in the United Nations system. Australia was giving priority to human resource development in its domestic policies and programmes as well as in its development co-operation.

110. The Australian Government had been a strong supporter of Mr. Fraser's work on Africa's commodity problems and was examining possible means whereby Australian business might be encouraged to become more involved in Africa.

111. The representative of Japan said that the 1980s had witnessed the strengthening of interdependence through revolutionary changes in telecommunication and information technologies as well as the globalization of markets. Nevertheless, the economic performances of various countries had been very diverse. Among the developing countries, for example, the newly industrializing countries and several Asian countries had enjoyed high rates of economic growth, whereas external debt problems and long-term low commodity prices had hindered the economic development of some other developing countries.

112. He noted that since 1989 there had been a number of developments with major implications for the international economy. Eastern European countries were undertaking ambitious reforms. The current Middle East crisis had added uncertainty to the future course of the world economy. Under these circumstances, each developing country was required more than ever to pursue development and structural policies most appropriate to its given condition.

Donor countries and international organizations must strengthen their finely-tuned co-operation to meet the diversified needs in various regions of the developing world.

113. Japan considered the debt problem to be one of the main issues facing the world economy and had taken various concrete actions to solve it, such as appropriate rescheduling of repayments; provision of necessary financing and other measures in support of the self-help efforts of developing countries. At the Summit of the Arch held in Paris in 1989, Japan had announced that it would expand the previous Capital Recycling Scheme of more than $US 30 billion to developing countries over a three-year period, into a Scheme of more than $US 65 billion over a five-year period, including the three years of the previous Scheme. The incremental portion of this new programme (1987-1992) carried the same basic characteristics as the original programme in that the funds were additional to normally expected capital flows from Japan and that the funding was completely untied.

114. Japan was also supportive of the strengthened debt strategy and under the expanded Capital Recycling Scheme was prepared to extend $US 10 billion to the countries to which that strategy was applied. Under this Scheme, Mexico and the Philippines were to be major beneficiaries. His Government had also provided the necessary tax incentives to Japanese commercial banks to enable them better to co-operate with the strengthened debt strategy.

115. The representative of Italy, speaking on behalf of the EEC and its member States, said that world interdependence was particularly demonstrated in crises such as the present one and the international community should provide co-ordinated action on four fronts: macroeconomic policies geared to maintaining a dynamic world economy; liberalization and expansion of international trade; alleviation of the problems of the most indebted countries; and adequate support to development efforts of the poorest countries.

116. Economic co-operation among industrialized countries had always aimed at maintaining a dynamic level of activity, reducing external disequilibria, and preventing inflation. The EEC recognized that it was necessary to reduce the instability of financial markets and fluctuations of exchange rates. The EEC had set up the European Monetary System for that purpose. The EEC had doubts about the possibility of generalizing this mechanism at the world level and believed it would be more realistic and fruitful to reinforce the

co-ordination of macroeconomic policies, particularly monetary policies. Furthermore, the proposal to tax speculative transactions seemed to be hazardous.

117. The EEC was convinced of the benefits of an expansion of world trade and had clearly opted for the opening of its markets, as against increased protectionism. With the integration of Eastern European countries in the world economy, the EEC would ensure that the support it was bringing to these countries would not be at the expense of its developing country trade partners.

118. In the area of liberalization of international trade in banking services, the EEC took issue with the opinion in TDR 1990 that this liberalization would not benefit developing countries. The advantages that international banks could bring to developing countries' financial markets were appreciable, as suggested by the TDR. Furthermore, current negotiations on that matter did not require eliminating exchange controls. The principle of progressive liberalization would ensure that due account would be taken of the level of development and the eventual fragility of local banking systems and that transition periods would be agreed accordingly.

119. Important progress had been recently achieved in the search for solutions to the debt problems of the most indebted countries. Efforts made by debtor countries in implementing economic reforms had been accompanied by supporting efforts of multilateral financial institutions, and public and private creditors to alleviate these countries' debt service. At the second Conference on the Least Developed Countries, some member countries of the EEC had announced their intention to cancel public bilateral debt of LDCs. The EEC welcomed the statement made at the Conference urging multilateral institutions to take measures to alleviate the service of LDCs' multilateral debt. The EEC also invited the Paris Club to regularly adjust their terms so as to respond positively to the needs of the most indebted countries. The commercial banks should also share the burden, notably by augmenting the volume of resources available to indebted countries. Other means to reduce the debt burden, for example, through debt equity swaps or debt buyback, should also be implemented.

120. The international community should provide adequate support to indebted countries in the implementation of appropriate national economic policies. In this regard, the EEC and its member States were the major suppliers of aid to developing countries. This has been recently reinforced by new aid commitments made by EEC member States at the recent Conference on LDCs.

Furthermore, the fourth Lomé Convention reflected the EEC's aid commitment, as the resources made available to developing country partners had been increased by 20 per cent, the major part in the form of grants. In addition, Lomé IV included a new mechanism endowed with additional resources and bringing support to structural adjustment in developing partner countries, in a way that prevented negative social consequences, especially on the least privileged social groups. Finally, the EEC also expressed its satisfaction on the successful replenishment of IDA resources, to which the EEC member States contributed an amount equivalent to 38.5 per cent.

121. The representative of Norway, speaking on behalf of the Nordic countries, said that in parallel with profound political changes which included progress for democracy, human rights and broad popular participation, there had been a shift to market-oriented policies in many countries. Markets must, however, be monitored, and when necessary regulated, in order to ensure their effective functioning, and the results of the market mechanism must be adjusted as necessary to achieve an acceptable level of social and economic justice. There was a need for strengthened international co-operation to improve the functioning of the global economy and create an international economic environment conducive to growth and development, but without sound and efficient national policies such a positive economic environment would not be sufficient. At the national level, there was now ample scope in many countries for transferring resources from military spending to much more productive ends.

122. The significant net outflow of resources from debtor developing countries gave increasing cause for concern. While macroeconomic adjustment and comprehensive structural reforms in these countries had to be continued, there was also a need to further improve the debt strategy through increased resource transfers and comprehensive debt relief. Reform programmes should be designed as to counter negative social consequences and effects on human resource development. Finance provided by commercial banks tended to be inadequate so that there was a risk that official creditors, including the multilateral institutions, might have to take on an unreasonably large part of the financial burden of the strengthened debt strategy. In order to improve the external environment for reform efforts, co-ordination of economic policies between countries with large imbalances had to be strengthened since positive signs in this regard had appeared recently.

123. For the large majority of the poorer countries prospects remain unfavourable and the recent increase in oil prices was likely to further worsen the payments imbalances in many countries. They needed adequate access to the resources of the Fund and the Bank, and the assistance of creditor countries on a case-by-case basis. The Nordic countries were ready, in co-operation with other creditor countries, to consider debt relief measures beyond the Toronto terms for the poorer and hardest hit countries. It was very important that ODA, especially from those industrialized countries which were below the 0.7 per cent of GNP target, be increased.

124. He said that there was ground for reasonable satisfaction with the outcome of the Paris Conference. The undertakings by LDCs in respect of human rights and popular participation were to be welcomed. The responsibility for creating the necessary international economic framework for growth and development in the LDCs lay mainly with the industrialized countries. The situation of the LDCs required further concrete measures to alleviate their debt burdens and increase concessional financing.

125. Central to any efforts by developing countries to increase their export earnings was the issue of market access. The Uruguay Round must bring substantial liberalization of international trade and improved rules and disciplines. Diversification measures should be encouraged and international commodity co-operation, research, development and market promotion activities strengthened. For the LDCs, special measures would be needed for some time yet.

126. The Nordic countries underlined the priority they attached to efforts to deal with threats to the global environment and would have more to say on the subject under item 8 (a).

127. Finally, he emphasized the importance of UNCTAD's finding its proper place in the international economic setting emerging after the completion of the Uruguay Round. Important areas for UNCTAD would inter alia be environmental issues.

128. The representative of the USSR stated, that the growing interdependence of States had moved fast in the last decade. The new interlinked world required a new level of multilateral economic partnership: the decision of the eighteenth special session of the General Assembly had created a good basis for such co-operation. In this context, UNCTAD, which had accumulated positive experience in studying the whole complex of problems of international trade and development, could focus on forecasting world economic development

and monitoring the long-term evolution of the world economy, in particular its structural shifts, and tendencies in the international trading system. A problem of special importance was timely identification of likely negative processes and elaboration of practical recommendations for their neutralization. UNCTAD could also undertake analysis of the conversion problem in the framework of the disarmament.

129. The restructuring in the Soviet Union and its integration, as well as the other countries of Eastern Europe, into the world economy, would become one of the main factors of development of international trade in the 1990s. He suggested that both analysis of the restructuring process in the countries of Eastern Europe, and the use of different possibilities to provide assistance to these countries for their fuller integration into the world economy, could become one of the elements of UNCTAD's activities.

130. He reviewed the latest developments in the USSR's external economic policy, introduced by the recent Presidential Decree, including the introduction of world prices and the use of convertible currencies in trade with other CMEA countries from 1 January 1991, which would be a real move by his country towards the creation of a single world economic space. Commenting on the Presidential Decree, he said that the Soviet Union would continue economic co-operation with the developing countries, taking into account, in particular, that economic aid should be provided within the USSR's real ability.

131. The Soviet Union was developing contacts with many international organizations and institutions. Observer status in the GATT had been granted to the Soviet Union in May 1990. The USSR also intended to accede to the GATT as a Contracting Party. He outlined some points of the work being done at the national level, especially in the field of elaboration of the new Soviet Customs Tariffs and Code and establishment of a customs statistics system. Both new customs tariffs and statistics would be based on the Harmonized Commodity Description and Coding System.

132. The representative of the International Monetary Fund said that the important question for the course of the world economy was the economic policy response to both the greater weakness in economic activity and the surge in oil prices. The current situation was considerably more digestable than were the oil shocks of the 1970s. Governments should dispel policy uncertainties and there should be no premature easing of monetary policy. Efforts at fiscal consolidation had to be strengthened, and structural adjustment continued,

both in developed and developing countries. For developing countries especially affected by higher oil prices an adequate mix of adjustment and financing had to be found. No special Fund facilities were to be created, but existing facilities should be used with more flexibility; the Fund aimed also at introducing an interest subsidy mechanism for certain members. The agreed quota increases had to be brought into effect urgently. While the strengthened debt strategy was broadly on track, official creditors should continue to reschedule debts, provide concessional assistance and develop new approaches to improve debt profiles durably. Commercial banks should demonstrate greater flexibility towards debtor countries with a view to restoring normal business relations.

133. While financial integration had complicated the implementation of monetary and fiscal policies and had created new risks associated with asset price variability, these problems were outweighed by the significant efficiency gains that had been achieved. For an appropriate prudential and macroeconomic setting that allowed for a productive channelling of market forces, a strong mechanism for international policy co-ordination was required

134. She also said that the resilience of the world economy and the success of countries' market-oriented reforms hinged importantly on a success of the Uruguay Round.

- - - - -

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.5
10 October 1990

ENGLISH
Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 October to .. October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

Chapter		Paragraphs
I.	Interdependence of problems of trade, development finance and the international monetary system (agenda item 3)	
	Debt and development problems of developing countries: including discussion called for in paragraph 2 of General Assembly resolution 44/232 of 22 December 1989, on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries (agenda item 4)	135 - 142
	Statement made by India on behalf of the Group of 77	

GE.90-52571/8022A

Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES: INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989, ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

(agenda item 4)

135. The spokesman for the Group of 77 (India), speaking on item 3, said that a satisfactory outcome of the Uruguay Round from the point of view of the developing countries was vital for the success of their efforts towards accelerated economic growth and development and central to the success of the Round itself. A recurrent concern of developing countries was that the processes and procedures adopted for decision-making currently needed to be revised in such a way as to permit democratic, participative and broad-based decision-making at all stages of the multilateral trade negotiations.

136. Another aspect which was relevant to ensuring a timely and successful conclusion of the Round was the need to respect established mandates in each area and to work for agreed solutions to problems specifically identified in these mandates. Linkages between different areas and issues which did not take into account the stipulation about differential and more favourable treatment to developing countries, about non-reciprocity of concessions made to them, about their not being asked to make contributions which were inconsistent with their individual development, financial and trade needs, should be eschewed.

137. He said that developing countries wished to strengthen the multilateral trading system so that it would protect and reinforce trade liberalization through:

(a) Full respect for the principle of non-discrimination, including the automatic and unconditional application of MFN treatment;

(b) Effective and positive linkages between the international trading system and the development process of the developing countries which would ensure substantial expansion of the exports in international markets and flexibility in their use of trade measures;

(c) Prohibition of all arrangements for restrictive market sharing or managed trade;

(d) Prohibition of any unilateral action outside the legal framework of the multilateral trading system; and

(e) Maintenance and strengthening of an effective system for dispute settlement.

So far these objectives of developing countries had remained unfulfilled.

138. The extent to which countries were willing to fulfil their standstill and rollback commitments during the period of the negotiations was a barometer of the credibility of the trade liberalization commitment embodied in the Uruguay Round. The record in this regard was disappointing. He added that developing countries had attached special importance to obtaining a substantial package of concessions on the market access issues. Gains in these areas were one of the main reasons why developing countries had joined the Round, but these were now being held hostage to reciprocity demands from developing countries.

139. He outlined the position of the Group of 77 on the negotiations on tariff and non-tariff measures and other market access areas. He called for removal of tariff and non-tariff barriers with regard to tropical product exports of developing countries in accordance with the special priority and early implementation of results indicated in the Punta del Este Declaration. Meaningful progress in one of the key areas of the Uruguay Round for most developing countries, viz. textiles and clothings through the phase out of restrictions and reintegration of this sector in the GATT was a litmus test for both trade liberalization as well as the accommodation of developing country interests in the outcome of the Round. Developing countries supported greater liberalization of trade in agriculture by increasing access to markets, substantial reduction in internal support and elimination of export subsidies and all derogations deriving from waivers and protocols of accession of developed countries with a final aim of integrating agriculture into GATT. They also emphasized the development dimension in agriculture and sought flexibility and autonomy in the use of internal support and all other measures. The net food importing developing countries needed measures to be in place in order to offset the increase in food prices in the short and medium term. With regard to natural resource base products, he called for progress on elimination of tariff and non-tariff measures on natural resource base products such as fisheries and rejected developed country demands for access to supply of natural resources.

140. In the context of rule-making issues, developing countries supported a strengthening of the GATT rules and disciplines so as to clarify and remove the shortcomings that had arisen in the interpretation of the GATT rules, and provide greater security and predictability in their application and enforcement. They, however, opposed attempts to deprive developing countries of their rights in the GATT and to set aside their special needs and interests, as was being done in the context of discussions on review of GATT Article XVIII especially in its Section (B) and asked that these discussions be closed. Developing countries attached priority to a comprehensive Agreement on safeguards which reaffirmed the MFN principle and outlawed grey area measures and opposed "selectivity" which would legitimize some form of discriminatory safeguard action against exports from "selected countries". With regard to MTN Agreements and arrangements, he called for removing obstacles to the effective participation of developing countries and these arrangements being made less restrictive. Developing countries desired that the revised anti-dumping code should result in reducing the trade barrier and harassment effect of anti-dumping investigation and that the code itself should not become the source of renewed protectionism after the Round. They also advocated stricter disciplines in the use of countervailing measures and they wished to protect their interests in the definition of the scope of prohibited, actionable and non-actionable subsidies and sought incorporation of provisions relating to S & D treatment for developing countries in these disciplines. Furthermore, they believed that a fair and effective dispute settlement mechanism with strengthened access to compensation for developing countries was an indispensable component of a multilateral trading system.

141. In the new areas, he felt that the developed-country proposals went far beyond the agreed mandates and showed no sensitivity for the development needs and interests of developing countries. Developing countries had participated constructively in the negotiations on the new areas and had made proposals in each of them. They expected that their proposals, which adhered strictly to the mandates, could be the basis for an agreed result and that developed countries would not thrust upon them their own perception of an outcome on international trade in services, TRIPS and TRIMS. The result of TRIPs should be made compatible with the special technology and development needs and objectives of developing countries. In TRIMS, an effect-oriented approach could be followed and no attempt should be made to abridge the right of developing countries to ensure the maximum development impact of foreign

investment and counter the anti-competitive practices of TNCs. Multilateral framework on services should be a dynamic instrument assisting developing countries in building up core service sectors and establishing a competitive position in international trade in services. The framework should have a universal coverage of sectors and should provide for automatic and unconditional application of the MFN Clause.

142. As for proposals relating to institutional arrangements to implement the results of the Uruguay Round, including the proposal made by one major trading entity for the establishment of a Multilateral Trade Organization (MTO), he said that such proposals clearly were not covered by the Uruguay Round mandate. In the context of future institutional arrangements and the strengthening of the international trading system, members of the Group of 77 would no doubt be prepared to consider carefully the possibility of a universal trade organization, provided it was meaningful, broad-based, comprehensive and responsive to developing-country aspirations. The Group of 77 felt that it would be necessary for such an organization to deal also with questions relating to restrictive business practices, commodities and access to technology, which were of vital importance to developing countries. Such proposals required careful and detailed preparations and were best undertaken in the United Nations system - including in UNCTAD - which had a comprehensive mandate, universal membership, and the experience and expertise to deal with such initiatives.

UNITED
NATIONS

TD

United Nations Conference on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.6
10 October 1990

ENGLISH
Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

held at the Palais des Nations, Geneva,
from 1 October to ... October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

Chapter		Paragraphs
II.	Institutional, organizational, administrative and related matters (agenda item 10)	1 - 20

Chapter II

INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

(Agenda item 10)

A. Opening of the session

1. The first part of the thirty-seventh session was opened on 1 October 1990 by Mr. Oscar de Rojas (Venezuela), President or the Board at its thirty-sixth session.

B. Election of officers

(Agenda item 1 (a))

2. At the 773rd (opening) meeting, the Board elected as President, of its thirty-seventh session, by acclamation, Mr. Jean-David Levitte (France), who, in accordance with the provisions of Board decision 338 (XXXIII), had been designated by the Board at the second part of its thirty-sixth session.

3. At the same meeting, the Board elected the following other members of its Bureau:

Vice-Presidents:

	Mr. Nabil A. ELARABY	(Egypt)
	Mr. Werner REICHENBAUM	(Germany)
	Mr. Seyed Mojtaba ARASTOU	(Iran, Islamic Republic of)
	Mr. Giulio di LORENZO BADIA	(Italy)
	Mr. Marcelo VARGAS	(Mexico)
	Mr. Emeka Auo AZIKIWE	(Nigeria)
	Mr. Luis GONZALEZ ARIAS	(Paraguay)
	Mr. Piotr FREYBERG	(Poland)
	Mr. Morris B. ABRAM	(United States of America)
	Mr. Yahya Hamoud GEGHMAN	(Yemen)
Rapporteur:	Mr. A. N. SYTCHEV	(Byelorussian Soviet Socialist Republic)

C. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (b))

4. At the 773rd meeting, the Board adopted the provisional agenda approved at its 772nd meeting (TD/B/1259) with the addition of five sub-items (TD/B/1259/Add.1) under item 9 as approved during pre-sessional consultations (the agenda as adopted is reproduced in annex I below).

5. At the same meeting, the Board endorsed the organizational suggestions approved during pre-sessional consultations (TD/B/1259/Add.2).

D. Establishment of sessional bodies

6. At the 773rd meeting, the Board established two sessional committees, allocating items between them as follows: Sessional Committee I, items 8 (a); 8 (b); and 10 (c); Sessional Committee II, items 6; 7; 9 (a) to 9 (e). All other items would be taken up in plenary.

E. Membership and attendance

7. The following States members of UNCTAD, members of the Board, were represented at the session: Afghanistan; Algeria; [Angola]; Argentina; Australia; Austria; Bahrain; Bangladesh; [Barbados]; Belgium; [Benin]; Bhutan; Bolivia; Brazil; Bulgaria; [Burkina Faso]; Burundi; Byelorussian Soviet Socialist Republic; Cameroon; Canada; [Central African Republic]; [Chad]; Chile; China; Colombia; [Congo]; [Costa Rica]; Côte d'Ivoire; Cuba; [Cyprus]; Czechoslovakia; Democratic People's Republic of Korea; Denmark; Dominican Republic; Ecuador; Egypt; El Salvador; Ethiopia; Finland; France; [Gabon]; Germany; Ghana; Greece; [Grenada]; [Guatemala]; [Guinea]; [Guyana]; Haiti; Honduras; Hungary; India; Indonesia; Iran (Islamic Republic of); Iraq; Ireland; Israel; Italy; Jamaica; Japan; Jordan; Kenya; Kuwait; Lebanon; [Liberia]; Libyan Arab Jamahiriya; [Liechtenstein]; Luxembourg; Madagascar; Malaysia; [Mali]; Malta; [Mauritania]; Mauritius; Mexico; Mongolia; Morocco; Myanmar; Namibia; [Nepal]; Netherlands; New Zealand; Nicaragua; Nigeria; Norway; Oman; [Pakistan]; Panama; [Papua New Guinea]; Paraguay; Peru; Philippines; Poland; Portugal; Qatar; Republic of Korea; Romania; Sao Tome and Principe; Saudi Arabia; Senegal; [Sierra Leone]; Singapore; Somalia; Spain; Sri Lanka; Sudan; [Suriname]; Sweden; Switzerland; Syrian Arab Republic; Thailand; [Togo]; Trinidad and Tobago; Tunisia; Turkey; [Uganda]; Ukrainian Soviet Socialist Republic; Union of Soviet Socialist Republics; United Arab Emirates; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America; Uruguay; Venezuela; Viet Nam; Yemen; Yugoslavia; [Zaire]; [Zambia]; Zimbabwe.

8. The following other States members of UNCTAD, not members of the Board, were represented at the session: Albania; Holy See.

9. Palestine participated pursuant to General Assembly resolution 3237 (XXIX). The Pan Africanist Congress of Azania participated pursuant to General Assembly resolution 3280 (XXIX).

10. The Economic Commission for Europe; Economic Commission for Africa; United Nations Development Programme; United Nations Population Fund; United Nations Conference on Environment and Development were represented at the session. The International Trade Centre UNCTAD-GATT was also represented at the session.

11. The following specialized and related agencies were represented at the session: Food and Agriculture Organization of the United Nations; World Health Organization; World Bank; International Monetary Fund; World Intellectual Property Organization; United Nations Industrial Development Organization. The General Agreement on Tariffs and Trade was also represented at the session.

12. The following intergovernmental organizations were represented at the session: Commonwealth Secretariat; European Economic Community; International Organization for Migration; International Textiles and Clothing Bureau; League of Arab States; Organisation for Economic Co-operation and Development; Organization of African Unity; Permanent Secretariat of the General Treaty on Central American Economic Integration.

13. The following non-governmental organizations were represented at the session: General Category: Friends World Committee for Consultation (Quakers); International Bar Association; International Chamber of Commerce; International Confederation of Free Trade Unions; International Council of Women; World Assembly of Small and Medium Enterprises; World Federation of Trade Unions; World Federation of United Nations Associations. Special Category: International Air Transport Association; International Association of Islamic Banks.

F. Progressive development of the law of international trade: twenty-third annual report of the United Nations Commission on International Trade Law

(Agenda item 8 (d))

15. At its 775th meeting, the Board took note of the report of the United Nations Commission on International Trade Law on the work of its twenty-third session (A/45/17), which had been submitted to the Board for comment (under the cover of TD/B/1269) in pursuance of General Assembly resolution 2205 (XXI), section II, paragraph 10.

G. Treatment of new States members of UNCTAD for purposes of elections

(Agenda item 10 (a))

15. At its 773rd meeting, the Board noted that since Democratic Yemen and the Republic of Yemen had merged to form a single State, the membership of UNCTAD had changed from 168 to 167. It further noted that the unification of the Federal Republic of Germany and the German Democratic Republic would bring UNCTAD's membership to 166.

H. Announcement of any changes in the membership of the Board and election to membership of main Committees

(Agenda item 10 (b))

16. At its 773rd meeting, the Board elected the Democratic Republic of Sao Tome and Principe to membership of the Board and its main Committees. Taking account of the merger of Democratic Yemen and the Republic of Yemen to form a single State, the membership of the Board and its main Committees was confirmed as follows: Trade and Development Board - 131; Committee on Commodities - 107; Committee on Manufactures - 101; Committee on Invisibles and Financing related to Trade - 103; Committee on Shipping - 103; Committee on Transfer of Technology - 99; Committee on Economic Co-operation among Developing Countries - 110.

17. The Board took note that the unification of the Federal Republic of Germany and the German Democratic Republic would reduce the membership of the Board and its main Committees by one.

I. Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board

(Agenda item 10 (d))

18. At its 775th meeting, on 3 October 1990, the President drew attention to a list of 99 intergovernmental bodies designated under rule 76 of the rules of procedure (TD/B/INF/106/Rev.1). In this connection the Board took note that the International Tin Council had ceased to exist as of 31 July 1990.

J. Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure

(Agenda item 10 (e))

19. Also at its 775th plenary meeting the Board approved the applications by the following three non-governmental organizations for designation under rule 77 of the rules of procedure of the Board and decided, in accordance with the recommendations of the Secretary-General of UNCTAD (TD/B/1274), that they should be classified under the terms of subparagraphs 12 (a) and (b) of Board decision 43 (VII), as follows:

General category:

International Federation of Business and Professional Women (IFBPW)

Special category for UNCTAD organ indicated (other than the Board):

	UNCTAD organ
Caribbean Shipping Association (CSA)	Committee on Shipping
Professional Association of Natural Rubber in Africa (ANRA)	Committee on Commodities

Adoption of the report of the Board

(Agenda item 12)

20. At its ... meeting, on ... October 1990, the Board adopted its draft report and authorized the Rapporteur to complete the final version as appropriate. It further authorized the Rapporteur, under the authority of the President, to prepare the Board's report to the General Assembly.

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.7
11 October 1990

ENGLISH
Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD

Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 October to .. October 1990

Rapporteur: Mr. A.N. SYTCHEV
(Byelorussian Soviet Socialist Republic)

CONTENTS

Chapter — Paragraphs

I. Interdependence of problems of trade, development finance and the international monetary system (agenda item 3) .....

Debt and development problems of developing countries: including discussion called for in paragraph 2 of General Assembly resolution 44/232 of 22 Decmeber 1989 on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries (agenda item 4) ..... 1 - 51

Statements made by France (Group B); Nigeria; Iran; Yugoslavia; Brazil; World Bank; Czechoslovakia; Switzerland; Romania; Kenya; Ecuador; United Kingdom; Sri Lanka; Bulgaria; Viet Nam; ICFTU.

Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT, FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES: INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989, ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

(agenda item 4)

1. The spokesman for Group B (France), speaking on item 4, stated that the yearly discussion in the Board was important since it paralleled and encouraged the unflagging efforts made by the international community in other fora. The Trade and Development Report 1990 provided useful and pertinent elements on the consequences recent economic and financial changes in some parts of the World had had on the state of the world economy. It rightly made allowance for the uncertainties that characterized the present international environment, although the overall assessment provided was pessimistic. He stressed that there existed positive economic developments such as the reintegration of Eastern Europe to the international and liberal economy. As far as development was concerned, one should refrain from generalization since the situations of developing countries appeared today very diversified.

2. He mentioned the important conclusions reached at the recent meetings in Washington, which again gave priority to strong and durable but non-inflationary growth and recommended that the rises in oil prices should be transferred to the final consumers, in a system of open trade and free circulation of capital. Stressing the importance of concerted international action to induce greater stability in monetary matters and movements of capital he referred to the important efforts already made in the frame of the EEC and through the Louvre agreements. The stagnation or even slight downturn in ODA in 1989 was very worrying, although he noted the moderate recovery in total resources flows from all sources to developing countries initiated in 1987-1988.

3. Debt alleviation was inseparable from the national and international factors which conditioned development; this was the meaning of the debate on interdependence. He emphasized the cardinal importance of the efforts of the

debtor countries themselves towards sound macroeconomic policies and structural adjustment measures. He drew attention to the disparity of situations between different categories of countries: for example, between a country which could release virtually no resources for debt servicing, (which was the case of certain sub-Saharan African countries) and a country, which in spite of debt servicing difficulties, could expect new loans and investment flows and had thus an interest in retaining financial credibility with potential lenders. The rescheduling of the developing countries' bilateral official debts in the Paris Club, was an example of the need to find case-by-case solutions. Regarding the case of the poorest countries, he mentioned the Toronto measures as well as the new initiatives proposed (including debt reduction measures) by some countries and studies such as the Craxi report, which were under review. Recalling that the Toronto agreement was the first initiative by official creditors' countries since Board resolution 165 S/(IX) to contain an element of debt forgiveness, he pointed out that the degree of concessionality of that agreement depended very largely on the choice between options made by the creditor countries.

4. He noted the establishment in 1989 of a special facility within AID intended to supply extra resources for agreements to reduce the commercial bank debts of the poorest countries. Regarding middle-income countries he mentioned the recommendations of the Houston Summit, which had encouraged the Paris Club to "continue reviewing additional options to address debt burdens" and, immediately, to lengthen the repayment period in the consolidation of the debts of the so-called lower middle-income countries. These recommendations started being applied in September 1989, to four countries - Morocco, Congo, Honduras and El Salvador - for which consolidation terms were longer than under Paris Club standard practices. A new possibility had been offered to these four countries, i.e. to proceed to the conversion of debts into either equity or development or debt-for-nature swaps. He emphasised that it was the first initiative on the part of the official creditors involving an effective reduction in debt, apart from that of the poorest countries. The members of the Paris Club would continue to consider new options to lighten the debt burden on these countries and he recalled that the ultimate objective was, in the long term, the restoration of the confidence of the capital markets in those countries. The needs of the countries which had maintained their creditworthiness through sound economic management should not be overlooked.

5. Turning to the restructuring of the commercial bank debts, he stated that the agreements concluded during the past year were the result of an encouraging evolution, although the slow pace of the negotiations in some cases was a cause for concern. In this regard, he felt that the secretariat report was too critical in its judgement of these agreements, since it did not take into account that the success of the so-called Brady strategy depended largely on the management of adjustment policies. However, the inadequacy of the debt or debt-servicing reductions obtained by the debtor countries had not been demonstrated. The machinery for supporting these bank debt reduction agreements, set up by the IMF and the World Bank, should be capable of being set in motion with the greatest possible effectiveness, implying inter alia, a greater flexibility of use than was possible under the present rules.

6. In conclusion, he emphasised three points; namely, that each country had primary responsibility for its own development, a principle too often forgotten; that all efforts should aim at creating a stable and favourable environment for development, notably through strengthened international co-operation; and, that industrialized countries should adopt supporting policies resulting in the release of sufficient resources and further improve the quality of their aid.

7. The representative of Nigeria said that the success of the Paris Declaration and the Programme of Action depended upon the effectiveness of national policies of LDCs and a favourable international economic climate. He called upon the developed countries to honour their pledges to strengthen the partnership based on mutual commitments.

8. Whereas for developing countries, and Africa in particular, the 1980s had been a lost decade for development, the developed countries had enjoyed uninterrupted growth. This expansion did not provide the "engine of growth " for developing countries, essentially because of escalating indebtedness, the sharp fall in commodity prices, protectionism by industrial countries, the decline in foreign direct investment and the net negative transfer of resources to developing countries. Of these factors, the heavy debt burden posed the greatest challenge.

9. Since 1982, the external debt problem of developing countries had not ceased to deteriorate and of all the regions affected, Africa was the hardest hit. Many developing countries, including Nigeria had undertaken adjustment programmes, with only isolated achievements so far. He expressed appreciation

of the various positive efforts under the strengthened debt strategy and other more recent initiatives by some creditor Governments. However, even when fully implemented, these measures would leave the debtor countries with large amounts of debt. A meaningful solution of the crisis required both the reduction in the stock of debt and debt-service, and increased flow of resources on concessional terms. Furthermore, any debt relief measure which did not address the issue of poverty alleviation and the promotion of self-sustained development was unacceptable.

10. He reiterated the comprehensive proposal made by his Government at the Special Session of the General Assembly in April 1990, which dealt with the debt problem and resource needs of the developing countries.

11. He also called on developed countries to consider seriously the dismantling of all tariff and non-tariff barriers affecting products from developing countries.

12. The representative of Iran stated that though political changes boded well for the emergence of a new and healthy political world, satisfaction and hopefulness could not apply to the realm of economic life. The world economy was facing deceleration in the pace of activity, persistent stagnation in a large part of the developing world, exacerbation of the debt situation, rampant instability in the financial sphere, ascendency of finance over industry, exchange rate volatility and high interest rates, etc. The impact of these debilitating factors on the developing economies and, still worse, on the LDCs, was inhuman morally and intolerable practically. The state of uncertainty for the developing world was the product of the existing world economic system whose dominant feature had been irrational management of resources at the global level. He emphasised that steady progress toward the attainment of human welfare on a world scale and qualitative promotion of living standards and development of the developing and least-developed countries - and not mere concentration of resources and gains in a few hands as the outcome of unbridled laisser-faire policies - required an overall development strategy with a clear human orientation.

13. Turning to the crisis in the Persian Gulf, he noted that calls for international management of the supply and pricing of the sources of energy had received attention at the current session. He welcomed the idea but pointed out that success in that field depended on concerted and well co-ordinated action on all commodities and not merely one. However, without

parallel and complimentary measures to bring order to the state of chronic chaos in the existing international monetary system, the international management of commodities would prove utterly inadequate.

14. The representative of Yugoslavia said that the Gulf crisis seriously threatened economic growth and development of many developing countries, and made a solution to the debt problem more difficult. The results of the international debt strategy so far had been disappointing. Many developing countries were still faced with a high net outflow of financial resources, and a decline in private foreign investment, export credits and ODA. The latest initiatives to deal with the problem were positive, but they are too inflexible and their scope too limited. An efficient debt strategy should embrace different measures to stop net capital outflow from indebted countries, and ensure an efficient support to structural adjustment as well as a more flexible policy by the international financial organizations. Creditor countries should grant more official debt relief. They should use various mechanisms to encourage commercial banks to pursue new non-debt-creating investments in developing countries and ease the burden of high interest rates threatening indebted countries. The industrialized countries should improve co-ordination of their macroeconomic policies, eliminate balance-of-payments and budgetary imbalances, and open their markets to developing countries. Success of the Uruguay Round was of great importance.

15. Yugoslavia had made an effort to reduce its debt and to introduce a market economy; foreign trade and foreign investment régimes had been liberalized; inflation had been brought down gradually, and a structural adjustment programme had been initiated. But these efforts had also caused a fall in income and investment and stagnation of industrial production during the past years. Yugoslavia belonged to the countries most seriously affected by the situation in the Middle East. There was a need for compensation measures to alleviate the adverse impact of the present crisis on developing countries.

16. The representative of Brazil stated that the uncertainty over the world economy, the instability in financial markets, the prospect for low growth rates coupled with high inflation, and the need to provide timely support for the resumption of growth in developing countries were too complex and far reaching to be dealt with and decided upon by a small number of countries. The efforts undertaken by developing countries in the 1980s to overcome their

domestic and external disequilibria had failed, with a few exceptions, for lack of timely and appropriate external support. Many adjustment efforts under the supervision of the IMF and the World Bank had not achieved their goals. The question lay in the appropriateness of the sole reliance on domestic policy measures to rectify the internal and external equilibria. In the case of Latin America, the net negative flow of resources since the beginning of the debt crisis had reached $US 200 billion. For Brazil alone, net payments to creditors between 1983 and 1989 amounted to $US 60 billion. Furthermore, how was it possible to improve trade performance, implementing trade liberalization policies, in the face of growing protectionism and deteriorating terms of trade? Some of the elements of a comprehensive approach for the resumption of sustainable growth in the developing countries, included: (a) the need for adjustment in developing countries; (b) a supportive external economic environment; (c) the flow of development finance in the short- and long-term; (d) trade liberalization based on multilateralism; (e) the recognition of the interrelatedness of trade and finance. The challenge before the international community lay in creating adequate conditions supporting the efforts by developing countries to move out of the vicious circle of poor.

17. The representative of the World Bank stated that while the external circumstances of the 1980s, as determined mostly by the richer countries, had been less favourable to developing countries than before, several of them, mainly in Asia, had been thriving. The policies of these successful countries had allowed them to maintain growth and reduce poverty, by combining actions to strengthen human capital with reasonably prudent macroeconomic policies, fairly efficient price systems, high investment, effective administration, and adequate scope to entrepreneurial initiative.

18. Recognizing increased difficulties associated with implementing adjustment policies in many developing countries, he stated that additional resources would be needed for these countries. These must come partly through debt and debt service relief. He urged that maximum efforts and fresh imagination be deployed to ensure the inherited problem of the past should not frustrate adjustment efforts in the 1990s, not just in the traditional South but also in the developing countries of Eastern Europe.

19. There were two categories of environmental problems: one was the dismal and deteriorating, overall environment of many poor countries caused by

poverty and population pressure; and the other included those created within countries but which would affect others and the global environment. A fund had been established to help overcome the specific problem of chlorofluorocarbons in the atomosphere, and the Development Committee had urged the Bank, in collaboration with others, to complete work towards the establishment of a programme to tackle global environmental problems as well as a funding mechanism to support it.

20. As for the future impact of the Gulf crisis on the global economy, oil prices, inflation, interest rates and instability were likely to be higher and real demand and income growth lower. The deterioration of conditions would call for two complementary responses: adjustment and financing. Adjustment was indispensable in spite of its being painful. Yet adjustment should be assisted and eased by additional financing, which would be the responsibility of the international community. The Bank group's regular resource were adequate for immediate needs, and specific actions were underway for accelerated disbursements and new lendings. If the crisis persisted, or its magnitude increased, the Bank might need to appeal for additional funds on concessional terms.

21. Explaining that prescribing adjustment policies to industrial countries was not part of the Bank's mandate, he none the less stressed that it had been more necessary than before for these countries to raise saving rates, both to finance their own investment needs, and to raise the resource flow to developing countries on appropriate terms. It was urgent that a successful conclusion of the Uruguay Round be arrived at so as to reduce that element of uncertainty from the global environment.

22. The representative of Czechoslovakia stated that the world economy had become increasingly interdependent and that the traditional differences between ideological and political systems had sharply narrowed. His Government supported the process of unification of Germany as an important factor of stability in Europe. He believed the unification would have positive impact on the world economy and would not have negative consequences for further development of mutual relations between Czechoslovakia and Germany. Referring to the crisis in the Persian Gulf, he said that it posed a serious threat to peace and economic growth of the world. To Czechoslovakia, which fully subscribed to Security Council resolution 661 of 6 August 1990, the direct losses alone were estimated at over $US 1 billion. These negative

impacts should be considered in the context of the situation when Czechoslovakia was confronting a considerable decrease of oil supplies from traditional sources. The current international economic situation was complicated by such problems as volatility in financial markets, the debt overhang, protectionist tendencies in international trade and uncertainties in commodity markets.

23. Only a market economy which encouraged individual initiative, private entrepreneurship, competition and creativity of man could ensure successful development of the country and that there existed a close link between viable and effective economic systems and open and democratic political systems. Czechoslovakia was undergoing fundamental changes in its political and economic structure. The basic features of these changes were transformation of the country into a State based on a democratic, multiparty system and implementation of radical economic reform, the aim of which was transition from central planning to a market economy. This consisted of liberalization of prices, liberalization of foreign trade combined with internal convertibility of the Czechoslovak currency, advancement of the private sector, macro-economic policy controlling inflation, policy of social guarantees and protection of the environment. In pursuing the aims of economic reform Czechoslovakia relied on an open and transparent multilateral trading system, in the framework of which the internationally agreed basic rules and principles of international trade were respected. For that reason Czechoslovakia was strongly committed to the success of the Uruguay Round of multilateral trade negotiations. He stressed that greater integration of his country into the world economy would provide new opportunities for its partners, both from developed and developing countries.

24. He announced that Czechoslovakia would take part in the activities of Group D only in respect of procedural and organizational matters.

25. The representative of Switzerland stated that uneven growth in the world economy was attributable to diverse structures and economic policies as well as to differing capacities to absorb external shocks. It reinforced the importance of exerting efforts aimed at reducing commercial and budgetary imbalances, alleviating the debt burden and strengthening the multilateral trading system.

26. The notion of interdependence had become more meaningful than ever after the outbreak of the Middle East crisis, which had had a negative impact on two

groups of countries in particular: those of the Gulf region and oil-importing countries with weak economic structures. Switzerland was willing to support these countries by providing them with additional resources. Interdependence was also an expression of the international division of labour in which all countries should participate in an equitable manner. The uncertainties of the current international situation might increase protectionist pressures which could jeopardize the integration of the developing countries in the international trading system, reinforce the negative aspects of regionalism and widen the gap between industrialized and developing States. He underlined that the successful conclusion of the Uruguay Round was of paramount importance.

27. The problem of indebtedness was still a major challenge at the outset of the 1990s. Three fundamental elements of the present debt strategy were: the adjustment measures, flows of new resources and appropriate debt relief measures. Structural adjustment policies to be pursued should contribute to fostering development in a dynamic economy. Flows of new resources should enable sustained growth and attract non-debt creating flows such as foreign direct investment, an important incentive to transfer of technologies. These flows of new resources should be conditional on a prudent management of the national economy for an efficient use of those resources as well as in-depth reforms in the developing countries enabling a repatriation of flight capital. The industrialized countries should carefully apply the diligence obligations, monitor inflows of foreign capital and reinforce the provisions for international judicial assistance. Finally, debt relief measures should be supportive of structural adjustment programmes, technical co-operation achievements and favour access to capital markets. Switzerland was fully willing to participate in debt alleviation procedures carried through by the international community. To this end a new credit had just been approved by the Swiss Parliament.

28. The representative of Romania stated that the increasing economic interdependence called for renewed efforts to strengthen multilateral co-operation in promoting policies aimed at revitalizing development, growth and international trade as well as reinforcing the efficiency of UNCTAD as an instrument of international economic co-operation.

29. The informal consultations on interdependence held on 2 October outlined some approaches that could be adopted. Priority areas where action was

necessary included access to markets of products and services - the Uruguay Round should lead to greater trade liberalization and UNCTAD should improve its Generalized System of Preferences; the volume and quality of flows of financial resources to beneficiary countries, be they developing or moving towards a market economy like those of Eastern Europe, should be improved; debt reduction, whereby joint efforts by creditors and debtors should arrive at a solution to the debt problem of the developing countries and in this connection, measures to reduce interest rates, stabilize financial markets and exchange rates should be carried out; the Programme of Action for the 1990s in favour of the LDCs should be implemented. The uncertainties of the world economy accentuated by the Gulf crisis had had a negative impact on all countries. As a result of this crisis Romania had incurred losses amounting to $US 3 billion. To offset the unfavourable consequences of the Gulf crisis it was necessary to finance the affected countries on concessional terms and to set up a mechanism for co-operation between oil producers and consumers to ensure stable sources of supply and equitable prices. In this regard, UNCTAD should continue to examine problems arising from the Gulf crisis.

30. He stressed that, following the previous December's revolution, Romania was engaged in an irreversible process of transition towards a real democracy and a market economy. At the same time, it was undertaking sustained efforts to overcome the difficulties arising from its condition as a developing country which had inherited a critical economic situation from the former régime. Regarding Romania's radical economic reforms, he said his Government was promoting the private sector, fostering market forces and competition by liberalizing foreign trade and favouring foreign investment. Moreover, as part of its opening policy, Romania was actively participating in the Uruguay Round and had recently adhered to multilateral financial institutions such as the IFC and the European Bank for Reconstruction and Development. He finally hoped that Romania would become one of the beneficiaries of the programme of assistance of the Group of 24.

31. The representative of Kenya stated that the euphoria which had greeted the developments in Eastern Europe did not last long as the world community again was confronted with dislocations arising from the Gulf conflict, which added pressures to a world economy that was already showing signs of fragility. It also accentuated the need for speedy action to rescue the economies of sub-Saharan Africa, which were faced with intractable problems of

poverty, population explosion and external debt. He expressed concern that the adjustment process in Eastern Europe diverted the attention of the developed countries from the plight of sub-Saharan Africa, which needed a Marshall plan after suffering from 500 years of exploitation.

32. Over 30 sub-Saharan countries had initiated structural adjustment programmes. This commitment to development must be matched by the industrialized countries through financial assistance as well as co-ordinated economic and trade policies which would not be detrimental to such development. Kenya's national development strategy was based on sound macro-economic and structural policies and it had undertaken a number of measures to increase investment opportunities. However, the success of these would depend on the mobilization of adequate finance. Full financing of the second phase of the Special Programme of Assistance to Sub-Saharan Africa as well as the implementation of the measures to stimulate external assistance to the region, which had received wide support at the Maastricht Conference, would be needed.

33. The successful conclusion of the recent Conference on the Least Developed Countries showed that the spirit of partnership existed. He hoped that this spirit would prevail in other important negotations which would shape the future direction of the world economy, such as the Uruguay Round.

34. The representative of Ecuador said that, despite the bleak situation in the Middle East, there were also several positive signs in the world economy which would open new perspectives for developing countries. These were the Initiative of the Americas, suggested by President Bush, the establishment of the European Single Market in 1992, the extraordinary changes in the Eastern European countries and the unification of Germany, and the economic rise of the Asian Pacific region. It was to be hoped that the conclusion of the Uruguay Round would facilitate access of developing countries to world markets, strengthen the international trading system, introduce legal norms against administered trade, eliminate safeguard clauses, and enable the GATT to effectively control the trade policies of the industrialized countries.

35. Although some progress had been achieved with respect to the debt strategy, the technical innovations in dealing with the debt overhang had to be supported by a clear political will to solve the problem; otherwise, the coming decade might again be lost for development. It was necessary to treat

the issues of trade, finance, debt and development together and to establish a new international monetary and fianancial system based on the principle of equality among countries.

36. He said that UNCTAD was the most important forum for fostering development. To this end it was necessary to combat the tendencies towards falling primary commodity prices, to eliminate trade barriers, and to assure compliance with the basic principles of the GSP. The work of UNCTAD should also extend to the issue of sustainable development, taking into account the "ecological debt" owed by the developed to the developing countries.

37. The representative of the United Kingdom said that the Conference met under the shadow of Saddam Hussein's illegal and unjustified invasion of Kuwait. Most developing countries would be worse off. Some had lost a great deal of foreign exchange through lost remittances and all would suffer from the negative effects on the level of growth in the world as a whole. He indicated that previous oil shocks had shown the importance of the prompt adoption of appropriate adjustment measures, and the problems which arose from market borrowing to finance delays in adjustment. However he acknowledged that additional external finance would be needed. In this respect the United Kingdom welcomed the formation of the Gulf Crisis Financial Support Group, which would co-ordinate finance for the most affected countries. Other affected countries could look to the IMF and World Bank for the assessment of their balance-of-payments financing needs. This assessment would also form the basis for consideration by the Paris Club and bilateral donors of possibilities for extra help. It was important that the costs arising from the Gulf crisis should be fairly shared among all countries able to make a contribution.

38. He referred to several important themes which had recently emerged from other fora within the United Nations system and other international conferences including the recognition that development was a partnership between industrialized and developing countries; the increasing awareness that good government and protection of human rights were fundamental to successful economic development; and the emergence of the environment as a central theme in international economic and development issues.

39. He stated that the importance for both developing and developed countries of a successful conclusion of the Uruguay Round could not be overemphasized. The GATT must be strengthened and extended if it were to resist mounting

pressures towards protectionism and unilateralism which would above all hurt developing countries. He added that the GATT would only remain effective if countries took on an increasing share of the GATT responsibilities as their degree of development grew and that the commitment of developing countries to the GATT system must be strengthened if it was to survive. All Contracting Parties must demonstrate their commitment to the GATT through their contributions to the Uruguay Round agreements.

40. He noted that increased external financing, including debt reduction and debt relief, could play an important part in supporting developing countries' reform efforts. He pointed to four particularly noteworthy recent developments in the debt strategy. Firstly, the arrangements under the Brady initiative were now well established. Secondly, some donors who had not cancelled all their aid debts to the poorest countries had taken further steps to do so. Thirdly, the Paris Club had recently agreed to lengthen repayment periods for rescheduling debts of lower middle-income countries owing most of their debts to official creditors. Fourthly, he outlined recent proposals by the United Kingdom Chancellor of the Exchequer for increasing the concessionality of the Toronto terms through the cancellation of two-thirds of a debtor's entire official bilateral debt with repayment of the remainder tailored to match the debtor country's improving debt service capacity over a period of twenty-five years, with five years of grace. The eligibility criteria would remain broadly identical with those of the Toronto scheme.

41. The representative of Sri Lanka stated that various imbalances and crises had emphasized the need for a more vibrant and integrated world economy and that enchancing the spirit of international co-operation could remedy the situation. Developing countries had embarked on bold economic programmes to restructure their economies but had found obstacles to their adjustment in developed countries' unwillingness to provide market access and give the necessary leadership to multilateral trade negotiations as well as in the pursuit of policies which were not cognizant of the aspirations of the major part of the world.

42. The world economic outlook did not augur well for developing countries. Any further decline in their export earnings could adversely affect their structural adjustment programmes. They would like to see a system of multilateral trade that would lead to global expansion wherein output and employment were optimized in all countries. The formation of regional blocs

was viewed as impeding the growth of such a system. Moreover, there seemed to be lack of deep commitment to free trade that would have allowed the Uruguay Round to gather momentum, but he was still hopeful for strong political support to achieve tangible results in Brussels.

43. Lack of growth due to limited resources and aggravated by discriminatory access to markets intensified payments problems and the debt situation of developing countries. The Brady initiative had made headway in providing some debt and liquidity relief but what was required was a comprehensive approach taking into account the need to increase lending for income generation and to enhance repayment capacity. The international monetary system should also be reformed and technology transfers to developing countries should not be obstructed but should be made possible under reasonable and concessional terms.

44. The representative of Bulgaria said that his country shared the opinion expressed in TDR 1990 that co-ordinated international measures were becoming increasingly necessary to limit speculative international capital flows which were becoming the main source of instability in the international monetary system. Bulgaria was undergoing a profound economic and political change towards a multiparty democracy and there was no alternative to the establishment of an efficient market economy. This process of changes was irreversible. As regards international relations, his Government would pursue a more pragmatic policy and intended to build its relations with other countries on the basis of mutual interest and equitable co-operation within its economic capacities.

45. He stressed that Bulgaria had been severely damaged by the restructuring of the CMEA trade mechanism and the crisis in the Gulf. His Government had the firm intention to implement fully the Security Council sanctions against Iraq. He quoted figures of the losses of Bulgaria due to the implementation of the embargo which totalled $US 1.4 billion up to the end of 1990. This included a drop in crude oil supplies of 30 per cent.

46. His Government was aware that Bulgaria should be integrated harmoniously into world production and trade patterns and would have to work its way out of the present crisis primarily through its own efforts. At the same time, international support and understanding would substantially facilitate and speed up the process.

47. Concerning the debt problem, he said that it should be approached and solved in the interests of both creditors and debtors and attention should be

paid to indebted countries in transition from a centralized to a market economy. He supported the UNCTAD secretariat's conclusion in the TDR 1990 that new lending to reforming East European countries would not endanger the growth prospects of other debtor countries, and suggested that further research would be useful to clarify the content of such formulations as "adequate debt relief", "adequate international support" and the like. The elaboration by the UNCTAD secretariat of new economic incentives for creditors and investors would also be very practical.

48. Bulgaria would take part in the work of Group D on the understanding, that at present only procedural and organizational matters were involved.

49. The representative of Viet Nam stated that developments in the sphere of money, finance and debt had not supported dynamic economic growth and development in developing countries. New policies by developed countries to support the developing countries development efforts were urgently needed. He emphasized the considerable decline in commodities prices, barriers to the access of developed countries' markets, weak capacity in the production of manufactures, and the reverse trend of comparative advantage, stating that the international community should bear greater responsibility for trade promotion in favour of developing countries. While recognizing the role of the GATT in international trade, he felt that UNCTAD's importance as a universal body integrating trade and development had to be enhanced. In particular, all UNCTAD activities should be strengthened to enable it to carry out its mandate. Appropriate attention should be given to the preparation of UNCTAD VIII, and he specified that its agenda should encompass, as a separate item, the transfer and acquisition of technology for the development of developing countries. His delegation felt that the work of the Committees on Commodities and Manufactures should be more closely linked, if not integrated.

50. Referring to the far-reaching reforms undertaken by his Government since 1986, and in particular from 1988, which had brought about profound changes and had begun to record important results, he said the building of a market economy regulated at the macro level with appropriate reform in the field of economic management had been proceeding favourably. Viet Nam was endeavouring to improve and expand its co-operation with all other countries irrespective of socio-economic systems, and was open and committed to international and regional economic co-operation, and appreciated the positive response of a growing number of developed and developing countries as well as

foreign business circles. He recalled the efforts made for the normalization of relations between Viet Nam and the United States on the one hand and the People's Republic of China on the other.

51. The representative of the International Confederation of Free Trade Unions regretted that the Second United Nations Conference on the Least Developed Countries had been unable to reach unanimous agreement on an increase in ODA for the LDCS, or even a commitment to honour the agreed target of 0.15 per cent of GNP. National development failures had domestic as well as external causes and in many cases, there had been an absence of democratic processes which were a prerequisite for economic and social progress. Future efforts should be based on genuine popular participation in policy formulation and implementation. Moreover the international financial institutions should adopt a broader approach to structural adjustment involving popular participation - which meant the full involvement of trade unions and of employers' organizations - in structural adjustment programmes. They should also reflect upon the appropriateness of granting assistance to clearly repressive régimes. ICFTU had long advocated inserting a social clause in the GATT Treaty which would make trading privileges dependent upon respect for basic worker rights. Such an instrument could help stimulate the development process and international trade. A global solution to the debt crisis remained a precondition for progress in all areas of concern to UNCTAD. The Brady Plan was an important conceptual breakthrough, although there seemed little prospect that sufficient additional resources to make that concept a reality would be forthcoming from the industrialized world. For this reason, President Mitterand's suggestion of an increased issue of SDRs for debt reduction should be given particular importance. Commercial banks should also assume a large part of the costs - and if necessary be compelled by law to do so. Likewise, Governments of the developed countries should give urgent priority to the writing-off of debt, in particular in respect of the LDCs.

UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B/L.903/Add.8
11 October 1990

ENGLISH
Original: RUSSIAN

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session
First part
Geneva, 1 October 1990
Agenda Item 12

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE FIRST PART OF ITS THIRTY-SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 1 October to ... October 1990

Rapporteur: Mr. A.N. SYTCHEV (Byelorussian Soviet Socialist Republic)

CONTENTS

Chapter — Paragraphs

I. Interdependence of problems of trade, development finance and the international monetary system (agenda item 3)

Debt and development problems of developing countries: including discussion called for in paragraph 2 of General Assembly resolution 44/232 of 22 December 1989, on trends in the transfer of resources to and from the developing countries and their impact on the economic growth and sustained development of those countries (agenda item 4) ..... 1 - 39

Statements made by USSR; Chile: Philippines; Mexico; Democratic People's Republic of Korea; Indonesia; Venezuela; Austria; United States; India (Group of 77); Director of Resources for Development Programmes; Iraq

Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(agenda item 3)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES: INCLUDING DISCUSSION CALLED FOR IN PARAGRAPH 2 OF GENERAL ASSEMBLY RESOLUTION 44/232 OF 22 DECEMBER 1989, ON TRENDS IN THE TRANSFER OF RESOURCES TO AND FROM THE DEVELOPING COUNTRIES AND THEIR IMPACT ON THE ECONOMIC GROWTH AND SUSTAINED DEVELOPMENT OF THOSE COUNTRIES

(agenda item 4)

1. The representative of the USSR speaking on item 4, noted that certain positive steps had been taken towards solution of the debt problem and cited as examples the Toronto agreements, the Brady plan, and the creation of special IMF and World Bank Funds for concessional financing of structural adjustment. The search for a solution to this problem should be made on the basis of consensus, taking into account the interests of all parties, with the recognition that in many cases debt repayment on the initial conditions was impossible. He shared the concern of the UNCTAD secretariat, expressed in the TDR-90, that inflows of the new bank lending and export credits to the developing countries would be forthcoming. As a result, further net outflows of financial resources from many developing countries could continue to grow.

2. Despite the internal economic difficulties of the USSR, his country continued to be a net-creditor of developing countries. During the last years, the Soviet Union had taken a number of concrete measures to alleviate the debt burden of these countries, including concessions on repayments, reschedulings, and partial writing-off of the principal, as well as the re-financing of indebtedness on concessional terms. Some additional measures were being considered for submission to the USSR legislative bodies, including conversion of the debt obligations into the capital of joint ventures.

3. The Soviet Union was ready to participate in the existing multilateral machinery for resolving the indebtedness problems of the developing countries. The effective development of third world countries in the 1990s needed economic reforms in these countries and more effective mobilization of their own financial and human resources. UNCTAD could summarize the positive experience of different developing countries to help resolve the indebtedness problem, using the external assistance in conjunction with internal reforms.

4. He expressed the hope that this issue would receive priority attention during the preparatory process for the UNCTAD VIII, and that the Conference itself would open new prospects for its solution.

5. The representative of Chile stated that the time was now propitious for the growth of a new age based on new values and new institutional structures, an age which would generate creative work and give rise to enthusiasm of people united and motivated by common aspirations. He, like previous speakers, wished to emphasize strongly the human aspect of development; an economy that was not conceived for all men was immoral. While neither the Uruguay Round nor UNCTAD VIII were proper fora to discuss philosophical or theological problems, the pragmatic side of any agreement would produce lasting results only if it was subordinated to ethical and moral values. Attempting to find pragmatic solutions to the problems of the present century would not ensure peace and stability in a world where inequality multiplied. Pragmatism was synonymous with systematic egotism. It was utopian to think that there would be growth without democracy and democracy without social justice. Trade, which was the living example of the link between geographically remote countries and an important element in the transfer of knowledge and multiplication of human contacts, was becoming an instrument of exploitation.

6. The debt crisis was directly related to the development of trade and was still governed by outflows of financial resources from the developing to the industrialized world. Indeed, between 1970 and 1987, the amount of the debt had tremendously increased while trade and commodity prices had experienced a drastic 50 per cent fall. In the meantime, less than one third of the industrialized countries honoured the United Nations ODA targets of 0.7 per cent and 0.15 per cent of their GNP to the developing countries and the LDCs respectively. External indebtedness could only be solved through international solidarity and the belief in fundamental ethical values. The objective of the economy was to serve man and not the contrary.

7. The representative of the Philippines drew attention to efforts within the Uruguay Round to introduce more stringent rules on the invocation of Article XVIII.B of the GATT, on the right of recourse of developing countries to redress their balance-of-payments difficulties. She considered that such an amendment to the existing arrangements in the GATT would be counterproductive. Nevertheless, there was a need for strengthened and more predictable international trade rules as these would best serve the interests

of developing countries. The latter were painfully aware that limiting imports to address balance-of-payments problems was not a viable long-term strategy, as it would choke off delicately nurtured economic growth and trigger increased protectionist tendencies on a globally damaging scale.

8. She identified several difficult policy contradictions facing developing countries. How were developing countries to improve their trade performance when the scope for adjustment was severely limited by heightened protectionism in developed countries such as the imposition of countervailing and anti-dumping duties and other forms of harassment? How were developing countries to improve their import capacity when scarce foreign exchange was increasingly absorbed by their onerous debt service burden and where international finance critical to their public investment programmes was rapidly drying up?

9. Developing countries would perform best if they operated in a global environment conducive to their progress. The main responsibility for affirmative action rested with the industrial countries, which must provide growing markets that remained open and accessible. It was equally important that financial flows from developed to developing countries should be increased, in terms of both debt-related flows and non-debt-creating flows. These resource flows had declined steadily throughout the 1980s. In addition, a lasting and viable debt relief for heavily indebted countries was needed. While the Philippines applauded the recent progress in global efforts to bring about debt and debt service reduction, it was however appalled by the present unacceptable phenomenon of a huge negative net transfer of resources to developing countries. Developing countries were making radical changes in their economies at great social and economic costs. However, an effective market-oriented system required meaningful action on all fronts: trade, debt, and development finance.

10. The representative of Mexico stated that with the profound transformation in international economic relations arising from recent events, there was reason to hope that a collective will to correct imbalances in the world economic system would prevail. A new concept of international co-operation was needed for a world with such inequalities could not be stable.

11. Developing countries had undertaken structural adjustment and liberalization measures which did not find support in new finance or greater access to markets of developed countries. Moreover, the latter had adopted policies which had led to greater instability in exchange rates and higher

interest rates. A system must be designed to evaluate the impact on developing countries of policies adopted by developed countries and financial and monetary institutions and to ensure proper policy co-ordination. He noted that, so far, negotiations at the Uruguay Round had not led to a more liberal multilateral trading system which would contribute to growth and development. It would require the political will of everyone concerned to adopt measures of the magnitude called for by a truly transparent system.

12. As to the debt crisis, the major deterioration in the economic and social situation of developing countries now posed a threat to global stability. The negative net transfers of heavily indebted countries had been aggravated by the unavailability of new loans, deteriorating terms of trade and a fall in the prices of commodities. While the need for reduction in debt and debt service had been accepted as a central element to the solution of the debt problem, much remained to be done to reactivate growth and development.

13. Finally, he stated that the preservation of a safe environment was a common good which would only be compatible with development to the extent that each country assumed its proper responsibility. UNCTAD would have an important role to play in the 1992 Environmental Conference by reinforcing the development dimension within an environmental perspective.

14. The representative of the Democratic People's Republic of Korea stated developing countries had suffered greatly in their painful structural reforms, and that they alone had borne the burden of structural adjustment. The setbacks of the 1980s were largely the outcome of the contradictory policies followed by the developed countries and the sudden drying up of capital flows to the developing economies, whose share in world trade had stagnated due to the rising tide of protectionism by the developed countries and to ever deteriorating terms of trade. It was high time for the international community, including UNCTAD, to adopt a mechanism for lifting protectionist barriers. The prices of commodities of special interest to developing countries should be stabilized through international agreements, and the Common Fund should operate actively in both price stabilization and diversification of commodities. The principles of non-discrimination and multilateralism in international trade had been neglected, as had the generalized non-discriminatory and non-reciprocal character of GSP.

15. In an increasingly interdependent world development would be easier to achieve in a favourable international environment. To brave the policy challenge of the 1990s, namely to ensure development amid a rapidly changing world economy, UNCTAD VIII should adopt appropriate measures to bring satisfactory solution to the interdependent problems of trade, development finance, transfer of technology, and the international monetary system. The recommendations and proposals in the final report of the South Commission should be given due consideration at UNCTAD.

16. The social system freely established by the people in his country corresponded to their socio-historical conditions. Any attempt to enforce the introduction of a market economy on such people simply would not work because they considered it as the revival of the colonial past. His country would continue to strengthen its independent self-reliant national economy while promoting bilateral and multilateral co-operation based on equality and mutual benefit.

17. The representative of Indonesia stated that despite developing countries having made necessary, often painful, adjustments, most continued to suffer from economic stagnation and structural imbalances. They still had to bear a heavy debt burden, steadily deteriorating terms of trade, and a lack of capital which had been further aggravated by net transfer of resources to international financial institutions. A wide array of protectionist barriers erected by the developed countries against developing countries' exports as well as the uncertainties created by the instability of financial markets, exchange rates and interest rates, had further compounded the difficulties faced by the developing countries.

18. Inadequate resources to finance programmes to enhance the well-being of the population were among the main causes of widespread poverty, unemployment and inequities in many developing countries. Concerted efforts were required to invigorate the world economy and revitalize the development of the developing countries. She welcomed the successful conclusion of the Paris Conference and expressed the hope that its Programme of Action would assist the members of the LDCs in promoting their development.

19. The restoration of the development process and the effectiveness of structural reforms in developing countries required a conducive external environment. This encompassed a solution of the debt problem, positive transfer of development resources to developing countries and the amelioration

of the international trading and monetary systems. Thus a balanced and successful conclusion of the Uruguay Round negotiations, taking into account the interests of all countries, particularly the sustained development of the developing countries, would be of vital importance.

20. As for the debt problem, the adoption of a comprehensive strategy covering the whole range of indebted low and middle-income developing countries also remained very important. Concerted efforts by Governments of creditor and debtor countries, international financial institutions and commercial banks on the basis of shared responsibility should be taken to support growth in the developing countries.

21. The representative of Venezuela stated that the developing countries had to cope with the current situation of the world economy characterized by asymmetry and inequality. It was all the more difficult for them to confront its increased instability as they were not endowed with adequate institutional mechanisms to struggle against the negative repercussions of the international economic system. The present development crisis remained overloaded with the problem of external indebtedness, which constituted a heavy burden for many countries, in particular the Latin American countries - among them Venezuela. The complex international financial situation was still dominated by reverse transfer of resources and diminishing flows of new resources to the indebted developing countries. Acknowledging the efforts of the multilateral financial institutions to solve the indebtedness problem he observed, however, that these initiatives had failed to bring forth a clear definition of responsibilities between creditors and debtors. Their application remained restrictive as debt reduction was not the objective. Moreover, the assistance provided to the developing countries continued to be conditional on structural adjustment programmes which imposed heavy economical, political and social sacrifices. Individual adjustment endeavours could only be successful within a framework of international co-operation aimed at stabilization and economic growth.

22. International co-ordination was greatly needed in order to grapple with the negative effects arising from the Gulf crisis. His country, as an oil-producing one, strongly supported the efforts displayed by organizations such as OPEC to stabilize energy demand thus benefiting those developing oil-importing countries which had to bear the brunt of the energy crisis. He underlined the necessity of maintaining "adequate prices of this commodity in order to guarantee the ordinary revenues of producing countries as well as

sufficient resources to finance investments which assure the current levels of oil production". He reiterated the proposal made by the President of Venezuela at the General Assembly that an oil conference be held between producers and consumers, under the auspices of the United Nations, in order to face the urgent political realities of the oil situation. This conference should be preceded by meetings of OPEC and the International Energy Agency.

23. As far as world trade was concerned, he underscored the need to strengthen the multilateral trading system. In this regard he mentioned that Venezuela was now adhering to the GATT and hoped that the conclusions of the Uruguay Round of Multilateral Trade Negotiations would enable the developing countries to have greater access to international markets. Towards this end he referred to a meeting of the Ministers of the Group of 15 and other developing countries in charge of GATT matters that would be held in Geneva, beginning in November, in order to prepare an important contribution to the Uruguay Round negotiations.

24. The representative of Austria said that there was evidence to support a more optimistic view of the development possibilities of the developing countries, than stated in the TDR-90. Nobody was automatically excluded from economic progress and there existed a growing number of examples of how to go about it.

25. Regarding the relative importance of the external environment and of domestic measures, he stated that those countries which, rather than trying to change the external environment, had concentrated their efforts on far-reaching adjustment to the prevailing external conditions had reaped substantial benefits. There was no alternative to adjustment. Global management of the world economy against market forces was not realistic - it had not worked in the past and could not work in the future. Governments were called upon to adopt a whole series of measures to enable their economies to respond properly. For example, there were ways and means to influence the distribution of income in a country. This along with priority to education, health care and basic nutrition for the poorest classes of society was not only a moral obligation, but also a good economic investment. It could be financed by reducing military expenditures, inefficient and overgrown bureaucracies and ill-targeted social programmes. On the other hand, reform in one area invariably required adequate measures in all other areas, so that such problems as adjustment, stabilization and liberalization should be tackled at the same time as promoting growth and protecting the most vulnerable groups.

26. He felt UNCTAD VIII would offer an excellent opportunity to reach a common understanding as to the underlying principles of the development process which were identical for developed and developing countries alike.

27. The representative of the United States reviewing the economic consequences of the Persian Gulf crisis, said that the greatest harm done by Iraq's illegal aggression against Kuwait was to Kuwait and its people. Serious problems had also emerged for other countries as had been heard from delegations at the current Board session.

28. In response to this challenge, President Bush had announced the formation of a Gulf Crisis Financial Coordination Group with the aim of achieving effective, timely, and sustained financial support to those most seriously affected countries. The IMF and World Bank had been called upon to help the international community by providing a combination of policy advice and financial assistance. The Security Council had been undertaking consultations with those countries suffering special economic problems as a result of their implementation of Security Council resolutions. Concerning oil supplies, the International Energy Agency had announced that oil markets remained adequately supplied and that recent oil price fluctuations were thus in large measure driven by the external political uncertainty in relation to the Gulf crisis. In addition, oil-consuming countries were engaged in a continuous bilateral dialogue with oil-producing countries to ensure adequate supplies. Under these circumstances, the United States did not believe that any further mechanism was required to stabilize oil prices.

29. Finally, he stated that all countries had been damaged economically by Iraqi aggression against Kuwait. To resolve the economic consequences of the Persian Gulf crisis, it was absolutely necessary for Iraq to withdraw from Kuwait and free all foreign hostages immediately and for all countries to fully and faithfully implement the relevant Security Council resolutions.

30. The spokesman for the Group of 77 (India), speaking on item 3, commented on certain points made during the debate to help clarify the understanding of interdependence and the mandate of UNCTAD. Any debate on interdependence in UNCTAD must focus on the policies of those countries which sent out the larger waves in the world economy and which had the weight and capacity to impede or accelerate development in developing countries. Interdependence was about democracy in the management of the world economy and about making the world more equal. It was about the rules of law and equality before law, not rule

by a few for the few. It was about making the international transmission system in the area of trade, finance and money more effective and efficient in distributing positive impulses for economic growth and development in developing countries. It was about preventing the kind of distortion and asymmetries that had characterized global development so far, where some countries had developed at the expense of, and not for the benefit of, four fifths of humanity.

31. UNCTAD was at the centre of the quest for genuine interdependence. Its mandate was to evolve policies and measures in the area of trade and development with a view to accelerating the economic growth and development of developing countries. The mandate was not to focus on the national policies of developing countries or to advise them on how to achieve small, measured development. Instead UNCTAD was to come forward with valuable ideas and provide a forum for negotiations between developing and developed country partners in the development dialogue for a rational management of interdependence with a view to accelerating economic growth and development of developing countries. If no dent was made on want and misery in the world, it was not because UNCTAD failed, but because the member States did not heed its warnings and advice. He briefly commented on the suggestion that UNCTAD should follow in the footsteps of some of the other International Institutions and focus on the domestic policies of developing countries, analyse what "went wrong" and evolve a universal prescription for successful development. If UNCTAD were to follow this suggestion, it would have to depart from its mandate and abandon its role as an advocate of equity and justice in international economic relations. Also if UNCTAD's voice was muffled, it would give the impression that the emphasis on national policies and self-help by developing countries was a sort of charm by which developed country partners might be trying to get loose from even the limited engagement and commitment of development co-operation that they might have undertaken to discharge. What the developing countries needed was a forum where they could impress upon their developed country partners how their efforts towards accelerated development would be helped and how they had been hindered by the actions and policies of economies over which they had no control.

32. Democracy was important for development and the world's largest democracy was a developing country. What was needed was a dialogue on how a Marshall Plan for the developing world could be evolved so that the revival and

acceleration of the development in the developing world permitted the emergence of political and social conditions in which free institutions could exist. Even if a fraction of what the then United States Secretary of State had in mind - in current money value $US 400 billion - were to be deployed in affirmative action towards the developing countries it would go a long way in banishing poverty and making the world safe for democracy. Hence, the need of the hour was not the denial of the role of aid transfers, but its affirmation as the very basis of interdependence.

33. He emphasized that there should be recognition that development itself was a process of structural adjustment in developing countries, which was vulnerable to external factors and shocks. Therefore, development co-operation should go hand-in-hand with development efforts of developing countries without begging the question of the relative importance of national and international factors in development. UNCTAD should not become a forum for preaching any kind of development orthodoxy. There could not be a universal prescription as inherited structures and resources in developing countries varied. In formulating economic policies, there had to be a proper mix between regulation, management and intervention and the reliance on market signals. This mix was at best left to each country to evolve in the light of its domestic social consensus, resource position and capacity and level of development.

34. The Director, Co-ordinator of Resources for Development Programmes commenting on points raised relating to the Trade and Development Report 1990, noted that some speakers wished that the Report had focused on domestic policies of developing countries. He recalled that the previous year's Report had dealt extensively with the adjustment experience and domestic adjustment programmes of the Least Developed Countries. It had also dealt with the fiscal problems of debtor developing countries and policy issues related to fiscal management in those countries. The last CIFT session had adopted a work programme which focused on domestic policies for the generation and mobilization of domestic savings and the adjustment experience of countries. In the informal discussions leading to that decision, the need to ensure sufficient differentiation between the topics taken up under interdependence and debt at Board sessions and the work of the Committee had been raised. It was argued that the Board would continue to be oriented towards questions of debt, external financing and the external environment while the work of the

Committee would be oriented towards the domestic mobilization of finance and domestic policies. Thus the work of both bodies would complement each other and together constitute a balanced whole. This notwithstanding, the secretariat considered the examination of domestic policies and their relationship to the external environment as an essential part of its work programme and that the work should appear in TDR. Plans for next year's Report called for an extensive analysis of domestic savings and the operation of domestic capital markets. However, the secretariat felt that the TDR should also be used to explore other issues within UNCTAD's purview.

35. Although the implications of the internationalization of finance for the level of interest rates was developed, the secretariat saw Part II not as an examination of the external environment but rather as an examination of the functioning of markets. This seemed to be an important avenue of inquiry as the demise of command economies had focused increased attention on the roles of markets in organizing economic activity, and increased integration and globalization of markets influenced the manner in which markets operate and the relationship between markets and public policy.

36. As to the orientation of the secretariat's analysis, he disagreed with the Canadian delegation's description of the secretariat's approach to policy problems. The whole thrust of the secretariat's policy proposals in Part II of TDR was that discouragement of speculative capital flows should be brought about by measures that worked via the price mechanism and were thus market-oriented. A tax on exchange transactions did not seek to allocate foreign exchange among individual actors or to decide which transactions should go forward. This was left to the market subject to the pricing mechanism--cum-tax. This was the very opposite of dirigiste.

37. As to trade in services, what the TDR had tried to emphasize was the importance for developing country Governments of maintaining control over the process of financial liberalization. Emphasis was also given to the disparity of developing country situations and the significance of the difference in the levels of development of their systems of financial regulation.

38. He assured the representatives of Hungary and Poland that full note had been taken of their comments on the TDR 1990.

39. The representative of Iraq, speaking in exercise of the right of reply, regretted the need to take the floor for a second time but said that it was necessary in view of the statement made by the United States. He rejected the

term "Iraqi aggression" used in the United States statement. The United States should be the last to speak or interpret the meaning of aggression. Its history was full of such aggression. He had taken pride in the resolutions of the Security Council, but if he forgot the world did not forget the stand of his country in the Security Council and its veto of all the resolutions relating to the rights of the Palestinian people. He had spoken of the impact in other countries of this crisis, but all knew that the impact was the result of the presence of his country's forces in the area and its threat of a destructive war under the pretext of defending law, with the purpose of controlling the sources of oil and resources of the people in the area. He asked what action the United States had taken in its history to resolve the third world's economic crisis. Iraq wished to ease the suffering caused by this crisis and it had offered its oil to developing countries. It should not be forgotten how the representative of the United States a few days ago attacked UNCTAD in his usual dismissive manner, instead of providing solutions to the world crisis. He emphasized the need for this Board to be a forum for resolving the economic crisis and not to be exploited for political dogma which created more tension. If the representative of the United States wished to provide advice to resolve the crisis, he should advise his Government to withdraw its troops from the area.